Austria	Sch22	Indonesia	Rp3700	Oman	OR1
Bahrain	Din0.700	Iran	Rls210	Philippines	Peso40
Belgium	BFr48	Israel	NIS3.50	Portugal	Esc140
Cyprus	C£0.90	Italy	L1700	Qatar	QR8.00
Denmark	DKr10.00	Jordan	Fils800	S.Arabia	SR7.00
Egypt	E£3.25	Kuwait	Fils.500	Singapore	S$4.10
Finland	FMk7.00	Lebanon	£250.00	Spain	Pta145
France	FFr7.00	Lux	LFr50	Sweden	SKr10
Germany	DM2.30	Malaysia	Rm4.25	Switz	SFr2.40
Greece	Dr120	Morocco	Dh6.00	Thailand	Bht50
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	Din0.800
Iceland	Ikr125	Nigeria	Naira10	Turkey	L800
India	Rup15	Norway	Nkr10.00	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,903

Tuesday July 25 1989

D 8523A

MAURITIUS

Seeking to build on its economic miracle

Page 4

World News

Japanese ruling party begins search for leader

Japan's ruling Liberal Democratic Party, after a crushing defeat in national elections, began the process of finding a successor to Sousuke Uno, the Japanese Prime Minister, who announced his intention to resign. Page 16

Soviet clashes

Angry threats of racial clashes between Russian immigrants and native Estonians forced the postponement of a new election law in the Soviet republic of Estonia. Page 2

US spy inquiry

President George Bush said he had known "for some time" about the inquiry into the former deputy chief of the US mission in Vienna, who is suspected of spying. Page 3

Polish meeting

General Wojciech Jaruzelski, Poland's newly-elected President, will meet Lech Walesa, Solidarity leader, about the appointment of the next Prime Minister. Page 2

Israel talks to PLO

Israeli Prime Minister Yitzhak Shamir has offered Palestinians in the occupied territories "semi-independence", according to the PLO Chairman Yassir Arafat.

Indian MPs resign

Most opposition members of India's lower house of parliament resigned in protest at alleged government corruption, vowing to fight Prime Minister Rajiv Gandhi's party on the streets. Analysis, Page 16

Cambodian rejection

Cambodian Prime Minister Hun Sen firmly rejected any role for the Khmer Rouge in a future government. Page 5

Cuban conviction

Former Cuban Minister of Transport Diocles Torralbas has been convicted on corruption charges and sentenced to 20 years in prison.

Diplomat arrested

A Maldives diplomat was arrested in Portugal with cocaine worth $72.9m which he intended to smuggle to Britain using diplomatic immunity.

Genscher improves

West German Foreign Minister Hans-Dietrich Genscher, who had a heart attack four days ago, left a Bonn hospital's intensive care unit.

Military shake-up

Argentina's Peronist Government may order the retirement of dissident army officers in a bid to solve a seven-year military crisis.

Nazi prosecutions

Britain has sufficient evidence to prosecute three suspected Nazi war criminals. Page 9

Helicopter crash

A Soviet military helicopter crashed near Vladivostok, killing five crew members and four people in a passenger car.

Car sold for $3m

1934 Mercedes-Benz 500K special roadster has been sold at auction in Monaco for $3m.

Burmese killings

At least 42 Burmese troops were killed as rebels beat off a fierce two-day attack near the Thai frontier.

Business Summary

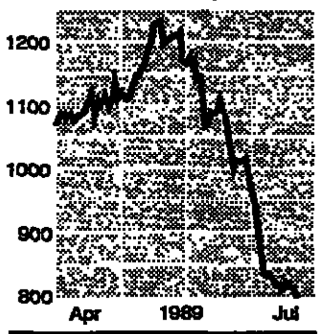
Mexican debt deal seen as victory for US initiative

Agreement between Mexico and its commercial bank creditors on a debt reduction package affecting $52.6bn of Mexico's outstanding public debt of about $80bn is seen as an important victory for Nicholas Brady, US Treasury Secretary, who planned the debt intitiative. Page 17, *Details* Page 3

COFFEE prices on the London Futures and Options Exchange

Coffee

2nd position futures (£ per tonne)



dipped below £800 a tonne for the first time in eight years. Page 26

BOOTS, UK pharmaceutical chain, faced disaffection as shareholders representing 11 per cent of the company voted against plans to pay $1.29bn for Ward White, UK retailer. Page 17

REUTERS, financial information service and news agency, reported a 32 per cent rise in pre-tax profits in the first half of 1989.

BAT Industries, UK tobacco, retailing, insurance and paper group, has written to US insurance regulatory officials, pointing out six deficencies in filings made by Hoylake. Page 17

***EUROPEAN** Community* yesterday presented its proposal for liberalising the $160bn world trade in textiles and clothing. Page 6

ISRAEL'S coalition Government, under strong pressure to inject growth into the economy, approved $135m package of infrastructure spending. Page 5

UK Government made a dramatic change in its electricity privatisation programme by withdrawing the country's oldest nuclear power stations from the sale. Page 16

AUSTRALIAN joint venture has won A$30m ($22m) contract for 2,000km of optical fibre cable in Pakistan. Page 6

TIME Inc, US communications group, has won final clearance for its $14bn takeover of Warner Communications. Earlier story, Page 30

NORTH American push into UK cable television industry is continuing, with the award of three franchises to US and Canadian companies. Page 6

ALLIANZ, Europe's biggest insurance company, based in Germany, said profits surged by more than a third in 1988. Page 17

EUROPEAN Community farm *ministers approved the* granting of $101m worth of food to Poland. Page 2

EASTMAN Kodak, US maker of photographic products, expects a 58 per cent plunge in second quarter earnings. Page 20

GIST-BROCADES, Dutch biotechnology group, startled Netherlands' business and financial community by scrapping its planned Fl 242m ($113m) takeover of its rival, ACF Holding. Page 18

***SOLOMON** Lew*, Australian clothing entrepreneur, spent at least $329.3m in doubling his stake in Coles Myer, country's largest retailer. Page 19

Soviet miners call on Party to abandon its leading role

By Quentin Peel in Moscow

DEMANDS that the ruling Communist Party abandon its leading role in Soviet society were made yesterday by striking miners from northern Siberia.

Their open assault on the foundation of Communist power in the Soviet Union came in an emergency debate televised across the country from the Supreme Soviet in Moscow.

In speech after speech, deputies spelt out the pent-up frustration of the Soviet working class over the structure of power in the country.

"People have been pushed on to the streets not by a shortage of soap, but by a shortage of justice," said Mr Alexei Boiko, a deputy from the Donbas coalfield in the Ukraine, where tens of thousands of miners are still on strike.

"The miners of Donetsk trust nobody and nothing. This is what we have come to ... there is no protection, not from the work councils, not from the unions, not from the party committees. There is no defence, and that is an end to it."

But it was the miners of Pechora and Vorkuta, on the edge of the Arctic Circle, who threw down the sharpest challenge to Soviet authority.

"I have just spent Saturday and Sunday at meetings of the strike committees of Pechora and Vorkuta," said Mr Vladimir Lushnikov, a miners' deputy from northern Siberia, where conditions are among the toughest in the country. "They have political demands as well as economic ones."

He then read out the call for the Communist Party to abandon its leading role under the Soviet Union's constitution; for a transfer of real power to the elected soviets; for the cancellation of elections to the Supreme Soviet from public organisations (such as the party and the official trade unions); and direct election of the president, and the heads of local government bodies, by secret ballot.

A number of deputies called for local elections this year instead of next spring to "restore trust in local authorities."

The clear political underpinning of the miners' strike and dire warnings that it could easily spread to other key sectors of the Soviet economy, were repeatedly emphasised in the four-hour debate.

As deputies listened, often in

Continued on Page 16

Face-to-face: Gorbachev meets parliamentarians during in a break in yesterday's formal debate

Thatcher shifts Howe in radical reshaping of British Cabinet

By Philip Stephens, Political Editor, in London

MRS Margaret Thatcher, the British Prime Minister, yesterday unveiled the most radical reshaping of her Cabinet since taking office in 1979.

The reshuffle involved cabinet-level changes at nine departments, with the most surprising change being Sir Geoffrey Howe's replacement as Foreign Secretary.

Sir Geoffrey has been moved to the role as leader of the House of Commons and Deputy Prime Minister. He was replaced by Mr John Major, the 46-year-old Chief Secretary to the Treasury.

Although he had been strongly tipped for promotion, Mr Major's appointment to the Foreign Office stunned MPs at Westminster. It was seen as putting him at the front of the race for take over eventually from Mrs Thatcher.

Mrs Thatcher's shake-up – *her 11th reshuffle* and the largest in terms of the number of cabinet level changes – was far more extensive than had generally been predicted at Westminister. Only Mr Nigel Lawson, the Chancellor, Mr Douglas Hurd, the Home Secretary, and Mr Kenneth Clarke, the Health Secretary, were untouched by the changes in the key departments.

The Prime Minister's aim was to pull the Government out of its mid-term slump in popularity and to give it an entirely fresh image in the run-up to the next general election.

The reshuffle also brought promotion for Mr Kenneth Baker, who switched from Education to take over the Conservative Party chairmanship, and for Mr Chris Patten, who entered the Cabinet for the first time in the key job of Environment Secretary.

Mr Patten, whose elevation followed the transfer of Mr Nicholas Ridley to the Department of Trade and Industry, will have one of the most sensitive and prominent roles in the new Cabinet, while Mr Baker will be responsible for planning the Government's next election campaign.

Four ministers – Lord Young, the former Trade and Industry Secretary, Mr George Younger at Defence, Mr John Moore at Social Services and Mr Paul Channon at Transport – left the Government.

Mr Younger's departure left the way open for the Prime Minister to reward Mr Tom King for his five years as Northern Ireland Secretary by appointing him to defence.

In the process she established Mr Major, Mr Baker and Mr Patten as the leading potential successors to the Conservative Party leadership when she decides to step down, probably after the next general election.

It also overshadowed the Prime Minister's choice of Mr Baker as party chairman, despite his key responsiblity for shaping the Government's campaign to win the election due by mid-1992.

The reshuffle also included a suprise elevation for Mr John Gummer who swapped his role as local government minister for the cabinet post of Agriculture, and the unexpected departure of Mr Younger, who is to join the board of the Royal Bank of Scotland.

Mr Younger was said to have stood down voluntarily as did Lord Young, the Trade and Industry Secretary, while Mr Channon and Mr Moore were asked by Mrs Thatcher to make way for new ministers.

Conservative MPs at Westminster said last night that their advancement indicated that Mrs Thatcher had accepted the advice of party managers that the Government was failing to get across its message to the electorate.

Parliament, Page 9

NatWest directors pressed to resign

By Richard Waters in London

THE Bank of England yesterday indicated that the resignation of the three NatWest directors implicated in the Blue Arrow affair would be an appropriate response to public concern over the matter.

The mounting pressure on the three – Mr Terry Green and Mr Charles Green, the bank's two deputy chief executives, and Mr John Plastow, director of related banking services – came as resignations began in the City of London.

The Bank would not be able to force the resignation of the three at this stage. It could only do this if, under the *terms of Banking Act, it found* that they were not "fit and proper" people to be directors of a bank.

However, as guardian of the City's reputation, it is able to put moral pressure on institutions which it regulates to act in a way which would meet public expectations. It would be difficult for NatWest, although the UK's largest financial institution, to resist this pressure.

NatWest would not comment on what action it would take over last week's critical report from Department of Trade and Industry inspectors into the

Continued on Page 16

World electronics industries reach DAT agreement

By Hugo Dixon in London

DIGITAL audio tape machines could be in the shops throughout Europe and North America by Christmas, following an agreement between the world's recording and consumer electronics industries.

DAT, a technology capable of making perfect copies of sound recordings, has been held up for three years because of a dispute between the two industries.

The record companies had complained that the introduction of DAT would encourage consumers to infringe their copyright. Although current tape technology is used for infringing copyright, many consumers prefer to buy their own compact discs, records or *tapes because the quality* of copies is inferior to the original.

DAT does not suffer this problem, with copies of copies being as good as the original. The record companies therefore boycotted the technology, refusing to produce any tapes to go with the machines.

The agreement to allow the introduction of DAT will be seen as a victory for consumer electronics manufacturers which have campaigned for the right of consumers to have access to the best in recording technology. The industry, which is dominated by Japanese companies, will be delighted because it has been looking for a new product to boost flagging sales.

Agreement was reached at a meeting in Athens last month between the International Federation of Phonogram and Videogram Producers, which represents the recording industry, and representatives of the electronics companies but was not due to be made public until later this week.

As a concession, the consumer *electronics* industry agreed to put a device into each DAT machine, preventing it from making more than one copy of each original. This was one of the conditions that record companies were demanding before lifting their *boycott*.

Under the final agreement, however, recording companies will not be paid a royalty for every DAT machine sold to compensate for copyright infringement – a second and more important condition demanded by the industry.

The agreement provides for further talks with consumer electronics manufacturers about an even newer recording technology – the recordable compact disc – which raises similar copyright issues. They also intend to continue their pressure for royalty payments in political forums such as the European Commission.

Exxon profits hit by cost of cleaning up Alaskan oil spill

By Roderick Oram in New York

EXXON, the world's largest oil company, barely broke even in the second quarter after taking an $850m charge against net profits for its estimated costs from the Valdez tanker disaster off Alaska.

The write-off covered known expenses, such as Exxon's extensive clean-up plan for the Alaskan coastline, net of the money it hopes to recoup from its insurers. But the figure excluded unkown costs arising, for example, from lawsuits.

Exxon's legal liabilities are certain to be heavy. More than 150 suits have been filed so far by individuals such as fishermen and by businesses.

The State of Alaska has been gathering evidence which officials say will almost certainly lead them to file a large damages suit against the oil company.

"Despite the high cost of clean-up, Exxon's financial condition remains strong," Mr Lawrence Rawl, chairman, said. "We are continuing to pursue our long-term business strategies and to implement planned capital programmes."

Since the supertanker Exxon Valdez ran aground outside Valdez harbour on March 24, the company has been heavily engaged in handling the environmental and public relations disaster. "Clean up of the Alaskan oil spill was Exxon's top priority" in the second quarter, Mr Rawl said.

Some 10,000 people, 1,000 ships and 70 aircraft are involved in removing the spilt crude oil from 364 miles of Alaska coastline.

Even without its Alaskan headaches, the second quarter proved difficult for Exxon. Net earnings before the Valdez bill fell to $1.01bn or 80 cents a share, from $1.2bn or 90 cents a year earlier. Net profits after the charge were only $160m or 18 cents a share.

The downturn in its underlying performance reflected lower profits from all three of its main areas of operations – exploration and production, refining and marketing and chemicals. Revenues advanced 9 per cent to $23.61bn from $21.63bn.

First half net including the Valdez expenses was $1.43bn or $1.12 a share, against $2.31bn or $1.81 before the charge and $2.66bn or $1.96 a year earlier. Revenues were $45.86bn against $43.63bn.

Net earnings from exploration and production slipped by $10m to $693m in the latest quarter with higher crude oil prices offset by higher foreign taxes and lower production volumes in the North Sea.

Profits from foreign operations declined to $384m from $442m but US profits rose to $309m from $261m. Refining and marketing operations recovered from a severely depressed first quarter but net profits were still $49m lower than a year earlier at $232m.

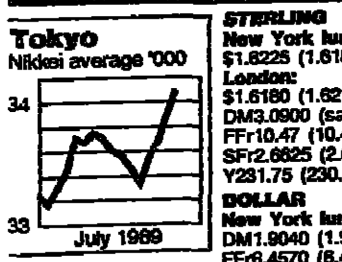
The decline reflected lower margins in foreign markets and a lack of improvement in US markets. Sales volume grew 7 per cent.

Amoco results page 20

MARKETS

Tokyo

Nikkei average '000



INTEREST RATES
US lunchtime
Federal Funds 9 3/16% (9 1/8)
3-mth Treasury Bills: yield: 8.345% (8.372)
Long Bond: 108 1/8 (108)
yield: 8.138% (8.151)
London
3-month interbank: close 13 13/16% (same)

STERLING
New York lunchtime
$1.6225 (1.6185)
London:
$1.6180 (1.6210)
DM3.0900 (same)
FFr10.47 (10.4750)
SFr2.6625 (2.6675)
Y231.75 (230.00)

DOLLAR
New York lunchtime
DM1.9040 (1.9135)
FFr6.4570 (6.4885)
SFr1.6420 (1.6510)
Y142.83 (142.225)
London:
DM1.9090 (1.9065)
FFr6.4700 (6.4825)
SFr1.6450 (1.6455)
Y143.75 (141.90)

GOLD
New York latest
Comex Aug
$374.2 (-0.2)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,594.08 (-13.28)
S&P Comp
334.72 (-1.18)
London:
FT-SE 100
2,259.1 (-23.9)
World:
147.98 (Fri)
Tokyo
Nikkei Ave
34,093.33 (+193.90)
Frankfurt
Commerzbank
1,906.6 (-0.1)

OIL
Brent 15-day (Argus)
$17.41 (-0.5) (Aug)
West Tex Crude
$18.865 (-0.71)
(Sept)

CONTENTS

No giant leaps to Mom's apple pie

Twenty years on from man's first steps on the Moon scientists have been working steadily to make life in space more bearable for the next generation of astronauts.
Page 10

Estonia puts off poll law after racial clashes threat

By Quentin Peel in Moscow

ANGRY THREATS of racial clashes between Russian immigrants and native Estonians yesterday forced the postponement of a new election law in the Soviet republic of Estonia.

Furious Russian Deputies denounced the law in the republic's Parliament. It would require any future candidates for election to have lived at least 10 years in Estonia, or five years in the same constituency. Another provision would require all voters to have lived at least two years in Estonia – effectively excluding all Soviet soldiers posted there.

In Moscow, a Russian Deputy from Estonia in the Supreme Soviet interrupted the emergency debate on the miners' strike to denounce the Estonian plans, warning that "another Tbilisi" (where 20 nationalist demonstrators died in April) could happen in Tallinn, the Estonian capital.

The sharp worsening of ethnic relations in Estonia coincides with new warnings of trouble from Moldavia, also between immigrant Russians and native Moldavians, and over the same issues of language and national identity.

Meanwhile, in the Black Sea region of Abkhazia, where tourism has been suspended and holidaymakers evacuated after race riots between Georgians and Abkhazians, official reports said the situation was "gradually returning to normal." Twenty people have died in the clashes there, including two policemen, and large caches of guns and explosives discovered.

The Estonian tension goes to the heart of the constitutional and political debate in the Soviet Union about the devolution of power from Moscow, growing pressure for outright independence from the Baltic republics, and their demands for the preservation of their national identity.

Last week, Mr Mikk Titma, ideology secretary of the Estonian Communist Party, and therefore effectively deputy leader, openly denounced the imposition of Soviet rule in the republic in 1940.

"Forty-nine years ago against the people's will Stalin's regime set up a Soviet republic in Estonia," he said. "Fifty years of Soviet power have not given any victories to Estonians. On the contrary, the nation has been suppressed. The desire of the absolute majority of Estonians to leave the Soviet Union is absolutely normal."

He was interviewed in the local Russian-language newspaper, Sovietskaya Rossiya, on the eve of the anniversary of Soviet annexation – marked by a demonstration in central Tallinn by thousands of Russians. They denounced the new election law, and called for a strike in all the republic's factories if it was tabled in the Parliament.

On Saturday, Mr Arnold Ruutel, president of the Estonian Parliament, flew to Moscow for an emergency meeting with Mr Anatoly Lukyanov, Mr Mikhail Gorbachev's vice-president in the national Supreme Soviet, who urged him to drop the restrictions.

However, in the Supreme Soviet yesterday Mr Gorbachev insisted that the new election laws for local elections were up to each republic to decide.

Another factor behind the rising tension is the imminent publication of an official report on the Molotov-Ribbentrop pact which effectively carved up Eastern Europe between the Soviet Union and Germany.

A top Soviet official, Mr Valentin Falin, head of the central committee's international department, for the first time admitted the existence of the secret protocol on West German television on Sunday.

The issue is political dynamite in the three Baltic republics, where independence movements are now growing rapidly, and in Lithuania, seem to enjoy strong support within the local Communist parties. Huge demonstrations are planned on August 23, the anniversary of the secret pact.

Meanwhile, the trade union newspaper Trud warned of the danger of new national confrontation in Moldavia, where the foundation of the Moldavian Soviet Republic is due to be marked on August 2. Violent clashes already occurred last month, on the anniversary of Soviet annexation of Moldavia on June 28, when a Russian demonstration was broken up by supporters of the Moldavian Popular Front.

Sovereignty 'will be W German poll issue'

By David Goodhart in Bonn

THE LEADER of West Germany's opposition Social Democrats has given notice that the complex issue of his country's qualified sovereignty – particularly over other Nato troops on its soil – will be an election issue at the end of 1990.

In an interview with the German Press Agency, Mr Hans-Jochen Vogel said that, 45 years after the end of the war, it was time Bonn had full equality in the Western Alliance.

And for the first time the SPD leader did not rule out terminating the Status of Forces Agreement, which governs the conduct of Nato forces in West Germany, if agreement was not reached in negotiation. He stressed, however, this would be a "last resort".

Because a peace treaty was never signed between West Germany and the countries which subsequently became its Nato allies, the precise power relation between allied troops and the West German government is often vague. Most of the powers that the allies continue to retain over Germany are either trivial or theoretical but on some issues, such as control of low-flying, they can still cause controversy.

Mr Vogel said "fossils" from the days of occupation should be removed "by mutual agreement" and allied troops would clearly have to observe German law as the Bundeswehr does.

His views would probably be supported by many members of the centre-right government and would certainly get the backing of the Greens - potential future coalition partners.

The SPD has recently begun informal policy discussions on foreign policy with prominent Greens. Although the SPD itself is playing down the talks, some press reports suggest they are structured enough for nine more meetings, on agreed topics, to be planned.

● The 250,000 US troops stationed in West Germany are, in some areas, an important economic presence and continue to spend about DM10.5bn ($5.5bn) a year in the country, according to the Institute of German Industry, the economic think-tank closely associated with the main employers organisation.

Because of a weaker dollar US troop expenditure has fallen from DM14.8bn in 1986. The Americans employ about 71,000 German civilians.

Walesa in talks over new prime minister

By Christopher Bobinski in Warsaw

Walesa: drawn into discussions

Jaruzelski: may offer post to Solidarity

GENERAL Wojciech Jaruzelski, Poland's newly-elected President, will have talks today in Warsaw with Mr Lech Walesa, the Solidarity leader, about the appointment of the next Prime Minister.

The General recently declared the time was not yet ripe for the post to go to a member of the opposition, and decisions on the appointment await the outcome of a Communist party central committee meeting later this week.

However, he did tell Solidarity Deputies last week that he was ready to see the post of First Deputy Premier responsible for the economy go to Solidarity and he could repeat the offer to Mr Walesa today.

The proposal includes handing the economic ministries over to the opposition, and Mr Wladyslaw Baka, the party's economic secretary and a front-runner for the post of Prime Minister, has said he would only take the job if Solidarity came in as well.

Yesterday, in an evident challenge to the present Government, the Communist party's economic committee, which is chaired by Mr Baka, in effect criticised as ill-prepared plans to lift meat rationing and remove price controls on food as early as August 1.

The committee also called for the operation to be postponed.

The Government, headed by Mr Mieczyslaw Rakowski, despite its own private misgivings about the political wisdom of risking a storm on the shop-floor, has been pressing for rises to be brought in as soon as possible.

However, yesterday, a cabinet meeting which was to have been devoted to the issue of lifting meat rationing, was postponed.

The party's economic committee noted, meanwhile, that the price operation should be approved by Parliament, be thoroughly discussed with the unions and should be brought in by the next Government.

In Mr Baka's view, the operation should also not be conducted in one fell swoop, as is being planned at present, but should come in over a period of time.

However, the Government is coming under pressure from farmers to put up wholesale prices and protests in the countryside are being stepped-up while food supplies in the shops are falling.

Mr Rakowski is also anxiously eyeing his budget deficit which had reached Zl 3.71tn ($2.76bn) after six months of the year, well over the Zl 998bn deficit voted by the previous Parliament for the year.

But his Government is keen to halt the rise in food price subsidies.

Also, it has already sent measures for approval to Parliament which would force both state and private sector companies to buy treasury bonds redeemable between 1992 and 1994 in a bid to repair state revenues.

EC approves Ecu 110m Polish food aid

By David Buchan in Brussels

EUROPEAN Community farm ministers yesterday approved the granting of Ecu 110m ($120.3m) worth of food to Poland, in advance of next week's discussion here of a wider Western aid effort to bolster political and economic reforms in both Poland and Hungary.

The EC, given an aid co-ordinating role for Eastern Europe by the recent Paris summit of industrialised countries, yesterday started to gather information about the needs of the two East European countries to present to officials of some 23 industrialised countries invited to Brussels on August 1.

Senior Commission officials will this week visit Budapest and probably Warsaw, though Polish officials were yesterday talking to the Commission here in trying to wrap up quite separate negotiations on an EC-Polish trade accord.

The immediate aim of the August 1 meeting, to which the Commission has invited virtually all members of the Organisation for Economic Co-operation and Development (OECD) – but not Poland and Hungary – is to establish what individual Western countries are already doing for Warsaw and Budapest and to see how that can be better co-ordinated and increased.

A subsequent meeting in early autumn is expected to tackle longer-term issues such as aid for restructuring industry and agriculture, particularly in Poland.

EC farm ministers decided yesterday that 500,000 tonnes of bread wheat, 300,000 tonnes of other cereals, 10,000 tonnes of meat, 5,000 tonnes of olive oil and 20,000 tonnes of citrus would be made available to Poland. Costs would amount to Ecu 110m, plus another Ecu 15m-20m for transport, and would be taken out of the 1989 and 1990 EC budgets.

Tomorrow, officials of the 12 Community states are to convene here to inform each other, and the Commission, what bilateral economic and commercial co-operation projects their countries already have in train with Poland and Budapest.

Next Tuesday, this will be supplemented by information on what the US, Canada, Japan, Australia, New Zealand and Efta countries are doing in Eastern Europe.

Official debt rescheduling for Poland will continue to be negotiated by governments in regular Paris club meetings.

● Poland said yesterday it would import up to 120,000 tonnes of meat this year to reduce food queues, Reuter reports from Warsaw.

But the Communist Party daily Trybuna Ludu, citing official statistics, said even with planned imports the shortfall in the shops was likely to reach 200,000 tonnes this year.

So far this year Poland, traditionally a meat exporter, has bought 30,000 tonnes from the West.

Many state shops, which accept only ration coupons for most meats, are virtually bare as farmers withhold livestock from slaughter because inflation means the purchase price no longer covers production costs. It is possible to buy meat at private markets but prices are high.

"I predict we will import double or triple (the 30,000 tonnes) in addition to cover the amount on the coupons," Mr Franciszek Nasinski, agriculture ministry spokesman said.

Trybuna Ludu said: "The meat deficit will this year be bigger than the possible import and will reach 200,000 tonnes." This amounts to more than two months official rations at 2.5 kg (5.5 pounds) per person.

Total meat and poultry production, from private and state sources, was 2.69m tonnes in 1988.

EC bridge builders, Page 15

French deficit widens

FRANCE'S current account deficit widened in May to a seasonally adjusted FFr5.02bn (£480m) from a revised FFr3.446bn in April, according to preliminary figures released by the Economics Ministry yesterday, *AP-DJ reports from* Paris.

The ministry said April's deficit was revised downward from a previously estimated shortfall of FFr4.048bn.

The May deficit brought the accumulated current account deficit over the first five months of this year to FFr3bn compared with a surplus of FFr4.6bn in the corresponding period of 1988.

On an unadjusted basis, the May current account data show a deficit of FFr6.4bn, up from FFr2.7bn in April. April's deficit was revised upward from a previously estimated deficit of FFr3.275bn.

For the first five months of 1989, the unadjusted current account deficit totalled FFr17.2bn, compared with FFr7bn francs in the same 1988 period.

The ministry commented that the deterioration in the May current account largely reflected a sharp widening of the merchandise trade deficit to FFr11.07bn from FFr4.807bn in April.

The surplus on the services account declined to FFr3.37bn from FFr4.548bn in April, while the deficit from unilateral transfers narrowed to FFr1.76bn in May from FFr5.505bn in April.

Bonn wins praise for pollution control

By David Goodhart in Bonn

THE International Energy Agency (IEA) has given the Bonn Government a pat on the back for "smooth and co-ordinated" introduction of one of the strictest packages of emission standards in the world but has expressed anxiety about the lack of consensus in nuclear politics and continuing subsidies for the coal industry.

The IEA's annual report on West German energy policies warns of a "more difficult situation for decision-making than in the past". It is most worried about nuclear power where, it claims, the lack of a national consensus – epitomised by the moth-balling of the fast breeder reactor at Kalkar – could have a negative effect on coal policy, too. About 40 per cent of electricity is now nuclear generated.

In the coal industry itself the report states that "the Government should make a firm commitment to continue rationalisation and clearly define a programme aimed at reducing subsidies, and, in the long term, eliminating barriers to trade."

The European Commission is also pushing, more aggressively than the IEA, for a reduction of coal subsidies and an open market in energy.

Thanks to the fall in the world market price of coal and the depreciation of the dollar the amount spent on supporting the West German coal industry has been rising. According to the IEA, it reached DM11.6bn (£3.8bn) or DM146 per tonne in 1988.

Much of that comes from the *Kohlepfennig* payments, the levy on electricity bills which compensates the utilities for most of the difference between the cost of West German coal and world market coal.

Last week Chancellor Helmut Kohl promised to retain the levy (currently 8.5 per cent of sales) at least until 1995, although the amount of coal supplied to the utilities will stay at 41m tonnes a year rather than rising to the 45m allowed under the current system. For the longer-term future of coal, Mr Kohl has announced a commission of inquiry under Professor Paul Mikat.

The IEA also pointed out that energy demand has been growing at only 1-1.5 per cent per year, despite faster than expected economic growth, partly because of mild winters and continuing conservation efforts.

Electricity consumption is expected to grow at 1-2 per cent a year, a low rate compared with other IEA countries. Government funding for energy research and development was just over DM1bn in 1988 with just over 50 per cent going to nuclear work, and most of the rest divided between renewables and coal.

East Germans flee to West

Five East Germans yesterday fled to West Germany.

A 20-year-old border guard, in uniform but unarmed, climbed across border fortifications into Lower Saxony, the Hanover border command said. The guard, the second East German soldier in 10 days to escape, cited political reasons for his escape.

Four other East Germans yesterday fled to Bavaria from Czechoslovakia, authorities in Munich said.

Deutsche Bank chief cautious

By Haig Simonian in Frankfurt

EUROPEAN monetary union would not be possible unless progress were made towards European political integration, Mr Wilfried Guth, supervisory board chairman of the Deutsche Bank, said yesterday.

Giving partial support to the recent reticence over monetary union expressed by the West German Bundesbank, he said he could not conceive of aiming for permanently fixed exchange rates in the European Community without progress on the political front as well. Mr Guth, former joint chief executive of Deutsche Bank, and one of West Germany's foremost experts on the international monetary scene, said he believed the D-Mark would eventually be replaced by a common European currency. But, although "history cannot be foreseen," he did not think it would happen until the next century.

Speaking at a news conference to present a collection of speeches marking his 70th birthday, Mr Guth made clear his sympathy with the aim of greater European monetary co-operation based on the goal of price stability.

Moves in that direction should be made on a "pragmatic" basis, he said. The "real problems" about moving towards European monetary union (EMU) were likely to come to the surface with the calling of an inter-governmental conference on changing the Treaty of Rome. Following last month's EC summit in Madrid, the French Government wants the conference to be convened as soon as possible after the so-called "first stage" of EMU in July next year.

Mr Guth said there would be no point discussing EMU together with the further-reaching ideas of setting up a common European central bank and a common currency – unless it were founded on anti-inflationary policies.

Mr Karl Otto Pöhl, the Bundesbank president, might be right in his recent assertions that the consequences of a renunciation of monetary sovereignty had not been fully thought through. However, it was possible that the West German electorate could be convinced of the need to transfer sovereignty to a supra-national institution if this formed part of a general development increasing the EC's political and economic weight in the world, Mr Guth said.

Camcorder sales 'will rise sharply'

By Hugo Dixon

HIGH demand for camcorders will help Western Europe's consumer electronics markets grow to $44.1bn in 1992 from $36.8bn last year, according to figures released yesterday by BIS Mackintosh, the British specialist market researchers.

Thereafter, the growth rate could accelerate as the effects of the single European market begin to be felt.

Although only recently introduced, camcorders – video cameras – have rapidly established themselves as an important consumer electronics product. Sales will reach $3.4bn in 1992, up from $2bn in 1988, BIS Mackintosh predicts.

Televisions, although a more mature market, are also expected to show steady growth. Sales will reach $15.1bn in 1992, up from $13.2bn last year.

New features, such as stereo sound, and special events such as the 1990 World Cup and the 1992 Olympics in Barcelona are expected to drive this growth.

The video recorder market, which has recently been stagnant, is forecast to take off again as consumers start replacing their old machines with more sophisticated new models. Sales will reach $8.1bn in 1992, compared with $6.8bn in 1988.

Newer markets such as satellite receiving equipment and portable televisions will also grow sharply in percentage terms.

However, each of these is starting from such a low base that it will generate sales of $0.5bn in 1992.

Audio markets will show more moderate growth, with sales rising to $16.5bn in 1992 from $15bn last year. The main growth areas will continue to be from compact disc players and car entertainment systems.

Coalition call in Hungarian CP

By Our Foreign Staff

MR RESZO NYERS, reformist leader of Hungary's Communist Party, has described the idea of a centre-left coalition government in Budapest as "possible and desirable."

Publication of his remarks in Le Monde newspaper virtually coincided with the arrival in Moscow of Mr Nyers and other party leaders for talks with their Soviet counterparts.

He said the Communists would not form the Government alone. The new administration would have to take difficult economic decisions requiring a certain national consensus, he added – hence the desirability of a coalition.

Asked about the timing of the next general election, which will be the first to be held under a multi-party system, Mr Nyers told Le Monde: "We're discussing that at the moment with the opposition parties . . . if it is possible to organise them before the end of this year. If not they'll take place next year."

EC 'foreign policy'

MOST citizens in the European Community believe the EC should handle the foreign and defence policies of the 12 member nations, according to an opinion poll released yesterday, Reuter reports from Brussels. The survey showed most of those questioned thought the Community should manage EC currency rates and co-ordinate measures to protect the environment.

New colour added to W German political palette

The Greys are becoming a force to be reckoned with in an ageing population, writes Haig Simonian

WEST GERMAN politics may be evolving into a "rainbow coalition" of multiple parties following the rise of the environmental Greens and, more recently, the extreme right-wing Republicans and NPD.

But the growing division of political opinion beyond the established right, centre and left-wing groupings threatens to tax more than just the country's political scientists and anxious Germany-watchers from abroad.

For in a country where party identities are strongly linked to particular colours, the diversification threatens to stretch beyond politics into the paintbox. If the growth of new national parties continues at its present pace, it will exceed even the most resourceful PR man's palette and introduce the danger of "mixed pigments" into the hitherto "pure" world of West German political affiliations.

Red has long been the colour of the Social Democrats, who ruled in Bonn from 1969 until they went into opposition in 1982. Their successor, Chancellor Helmut Kohl's Christian Democrats, are known as "the blacks" – a colour which features prominently on their electoral material.

Bright yellow and blue are the shades for the liberal Free Democrats (FDP). The yellow – somewhat egregious by conservative German standards – is particularly prominent, perhaps deliberately so to differentiate the party from its bigger rivals and emphasise its independent-mindedness.

But critics of the FDP, which has had an uncanny ability to be in just about every West German Government since 1949, apart from a short stint between 1966-69, stress yellow's more pejorative streak. Certainly, the party's fast footwork in switching coalition partners between its two bigger rivals has been viewed askance by many.

The optical preferences of the Greens are obvious and are played up in all their electoral material. But with brown probably ruled out because of its associations with the Third Reich, and white possibly excluded on racial grounds, that leaves precious little for the new alliances now springing up around West Germany.

Few are more interesting than the *Graue Panther* (Grey Panthers), who claim to speak for the country's 14.3m senior citizens. The party has been hitting the headlines since its decision earlier this month to break with the Greens, with whom it had a political pact, in favour of going it alone.

Quite how appropriate "grey" is for a party of the elderly is debatable. The fact that the newcomers failed to light upon anything livelier – particularly in view of what will no doubt be some very unkind jokes considering its constituency – may not bode well for its political sensitivity. Even brown may have been a better choice, despite its background, in conveying a reassuring sense of maturity.

However, the same cannot be said about Mrs Trude Unruh, a sprightly 64-year-old who has just been elected the new party's national chairwoman. Slamming into the Greens at the Grey Panthers' annual conference in Munich this month, the combative Mrs Unruh said the bond with the environmentalists had collapsed because of their failure to live up to campaign promises to the elderly in the past.

Mrs Trude Unruh, the Grey Panthers' formidable leader

Heading the pensioners' complaints is the Greens' refusal to give them guaranteed seats on their electoral list, an exception the Greens have so far made only for women, who have a fixed quota. As far as the Greens are concerned, the *Graue Panther* are just another of the many interest groups nestling under its wing.

That was unacceptable to Mrs Unruh, who sits as an independent in Parliament under the Greens' umbrella, and her senior colleagues. A formidable-looking woman, even Mrs Unruh's name, which literally means disturbance in German, fits her fighting image. It may in time even compensate for the Grey Panthers' (or Greys, as they will surely come to be known) unfortunate choice of colour.

The party's political platform understandably spotlights issues for the elderly, such as improved pensions and better medical treatment, including the right to greater choice for those in the state health insurance scheme. But the Greys' health plans, like many of their other demands, have a distinctly radical edge, taking them well to the SPD's left.

Take the call for patients to be given the right to refuse treatment – and even accept voluntary euthanasia. Mere dmands like better housing for the elderly appear measured by comparison.

At the conference, Mrs Unruh issued a stirring call to the other parties to take her new group seriously. With one of the oldest population profiles in Europe, and a steadily ageing trend in its demography well into the next century, they may ignore her at their peril. But whether the Greys are about to break the mould of West German politics remains to be seen. At the first glance, the new group looks set to steal votes from the established parties in about equal measure.

Some anxious foreign observers have described the rise of minority parties like the Greens and, more recently, the Republicans, in local, regional and even the recent European elections, as a worrying reminder of the growing political instability which eventually toppled the Weimar Republic and opened the way for Hitler in the 1930s.

Matters have hardly gone that far, but the graphically-minded are already coming up with some odd combinations – at least as far as colour are concerned.

A Red-Green alliance between Socialists and Greens ruled briefly in the state of Hesse until 1987, and a similar grouping has been resurrected in Frankfurt, the state's biggest city, since the local elections there last March. But if political affiliations really start to blur, the combinations could blend a good deal further.

A "maroon" coalition between the SPD and the Greys may be unappealing to the eye, but it could promise some revolutionary solical reforms. That is the aim of Mrs Unruh, who hopes that a Red, Grey and Green coalition will rule West Germany after next year's general election. Meanwhile, the Christian Democrats' black is so dominating it leaves little room for other parties to tone it down, although the Free Democrats have been remarkably successful of late in emphasising their independence from behind Chancellor Kohl's bulky shadow.

But even the most lively political imagination would find it hard to make Green out of the FDP's yellow and blue. Despite the heightened awareness of environmental issues across the West German political spectrum, the FDP, as the party most closely associated with *laissez-faire* industrial capitalism, is probably the least susceptible even to the artfulness of the political painter's brush.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) 935335.

FT writers assess the significance of the debt reduction agreement reached between Mexico and its creditor banks

Relief for Washington as Brady plan passes its test

EVER since Mr Nicholas Brady, the US Treasury Secretary, launched his debt reduction strategy for Third World countries in mid-March, Mexico has been the first, and most important, test of its success.

All US efforts have been directed at securing an early agreement – not only because Mexico is the second largest debtor but also because of its geographic position on America's southern border. National security considerations have never been far from the surface.

The US government has acted as an increasingly active catalyst and organiser of the deal – even if most of the additional money to put the agreement in place has come from the International Monetary Fund and World Bank and from Japan.

Between early April and late May, there was a lengthy period of what Mr David Mulford, the Treasury Under-Secretary for International Affairs, has described as "posturing" between Mexico and its commercial bank creditors. This was the time when details of the crucial extra resources from the IMF and World Bank – known as enhancement – were being worked out.

Serious negotiations only began in early-to-mid June when the framework of debt and debt service reduction became clear. As the talks became more protracted, the pretence of non-intervention by the US Treasury disappeared. Both publicly, in congressional testimony, and privately, in lengthy discussions with the banks, Mr Brady and Mr Mulford urged Mexico and, later, especially the commercial banks to be reasonable and realistic.

Mr Brady has spent an increasing amount of time on the Mexican issue, talking to both sides. As the Mexicans moved from their original position of wanting a 55 per cent discount on their debt and the banks moved from offering 15 per cent towards the final figure of 35 per cent, hopes rose that a deal could be announced before or at the annual economic summit of the Group of Seven nations in Paris

However, even though the size of the discounts had been resolved, there remained difficult, secondary issues which appeared impossible to sort out.

Consequently, at Mr Brady's initiative, it was decided to bring all parties from New York to Washington. The rules were that talks would continue until finished. Discussions started early on Saturday morning, continued until 1 am on Sunday and finished that evening. They involved the chairmen of the key banks, including John Reed of Citicorp, the Mexican financial team and representatives of both the US Treasury and the Federal Reserve, involving both Mr Brady and Mr Alan Greenspan, the Fed chairman.

There were two key sets of issues resolved at the weekend. The first were the so-called "recapture" provisions ensuring more payments for the banks should Mexico's oil earnings rise. The second were important mechanical problems in synchronising the start of the banking agreements next January with the phasing of the $7bn in extra resources for debt and debt service reduction. This will come from the IMF, World Bank, Japan and Mexico.

Both these difficulties were overcome and details were agreed of a $2bn bridging loan to cover Mexico's interim financing needs during the rest of this year as the agreement documents are put together.

President Carlos Salinas de Gortari hailed the agreement as a historic triumph; reducing debt is the centrepiece of his policy.

The US is naturally pleased, both for what it does for Mexico and as a pointer to future debt negotiations. A senior US Treasury official commented yesterday that the combination of new money and debt/debt service reduction would produce "a very sizeable debt reduction over three years as against what would have happened until now with an entirely new money package".

The US is hoping for similar agreements before long in other countries. Negotiations should accelerate, not least because the banks have been concentrating on Mexico. The overall result is that new impetus has been given to Mr Brady's strategy.

Peter Riddell

All that remains is to sell the deal. . .

Key figures in the deal: from left, Reed of Citicorp, Greenspan of the Fed, Brady, the US Treasury Secretary, and Mexico's President Salinas

HUNDREDS of hours more will be needed before a final agreement between Mexico and its 15 main creditor banks is in place. Then follows the task of selling the agreement to the rest of Mexico's 500 creditor banks worldwide.

A deal signed and in effect much before the end of the year thus seems unlikely, although the benefits should be back-dated until the middle of this year.

The main points of the package are by now well known to anyone following the negotiations. Banks will choose from three options:

● Swap their old loans for new 30-year bonds at a discount to face value of 35 per cent. These discount bonds will carry an interest margin of 13/16 percentage point over money market rates.

● Swap their old loans for new 30-year bonds with the same face value. These par bonds would carry a below-market fixed interest rate of 6¼ per cent.

● Provide new loans over a four-year period equivalent to a total 25 per cent of their current medium- and long-term exposure. The new loans would be repayable in 15 years, with seven years before any principal is repaid, and carry an interest margin of 13/16 point.

Banks would either advance new funds or "recycle" Mexican interest payments.

The credit quality of the par and discount bonds will be enhanced by $7bn of funds from the International Monetary Fund, World Bank, the government of Mexico (providing $1.3bn) and development loans from Japan ($2.05bn).

This support is intended to cover at least 18 months and not more than 24 months of interest payments from Mexico, as well as collateralise the bonds' principal after 30 years.

It is clear that if all banks take the debt and debt service reduction options, there may not be enough credit enhancements to go round. However, banks say they expect some banks to take the new loans route, while if there is a shortage of funds, Mexican bank lenders will forgo their enhancements.

It took until the weekend in Washington to resolve the other main problem: that of the phasing in of the enhancements.

The IMF and World Bank have insisted that their support should be spread over a period and not all be available at the start of the agreement. Banks have taken exception to this on the basis that they are making concessions immediately. The compromise reached in Washington may mean the IMF and World Bank bringing forward some of their funding and includes the possibility that government bridging finance may be invoked to bring forward the timing of the support.

In a significant concession, Mexico will also allow debt-to-equity conversions under Mexico's privatisation programme and certain infrastructure projects to the tune of $1bn annually over three and a half years.

In one of the last issues to be resolved, banks taking the par or discount bonds will be eligible starting in 1996 to "recapture" some of their concessions, based mainly on oil prices. According to bankers, the details are complicated but $14 a barrel for exports is a trigger price.

One big issue in past deals has been the so-called free rider banks – those which benefit from interest payments but refuse to take new loans. It is currently being proposed that participants in the new Mexican debt reduction deal will swap their old debt for a new debt, leaving those that do not participate operating under old agreements with the Mexicans.

In legal terms, this is called novation and is being supported on the grounds that it is more tidy and makes it easier for banks, for example, to agree to concessions to the Mexicans.

The unspoken aspect of it all is that it firmly places the non-participating banks at the bottom of the pecking order of Mexican creditors.

Stephen Fidler

Deal highlights contradiction within the debt strategy

THE significance of the weekend deal between Mexico and its leading bank creditors is at this moment largely symbolic. It is a significant step forward for an international debt initiative launched in March by Mr Nicholas Brady, the US Treasury Secretary, but nobody yet knows how much it will be worth to Mexico.

In fact, the deal highlights some of the inherent contradictions in the plan.

While the Brady initiative placed the focus on debt and debt service reduction, given the amount of credit enhancements on offer, it is essential for some banks to make new loans if the Mexican deal is to work. This emphasises, critics say, that the proposal is under-funded. Theoretically, Mexico's debt reduction agreement could result in an absolute increase in the amount of its outstanding debt.

According to the Brady proposals too, the essentials of each debt initiative were to be worked out without interference between debtor and creditor banks. In fact the opposite has happened: the Mexican agreement has so far involved a significant amount of official intervention from Western governments, particularly the US, whose pressure on the banks has been intense, and from the international financial institutions – the International Monetary Fund and World Bank.

Even now, many of the rulings of central banks, auditors and tax authorities on the various options in the deal have yet to be made and, until these are forthcoming, it is impossible to guess how the banks will choose among the various options and thus difficult to judge how much cash flow relief the Mexicans will obtain.

The expectation is that US accounting regulations will make the reduced interest bonds the most attractive option for US banks, while supervisors in France and German are also thought to be leaning this way. The Bank of England has yet to pass judgment, although some leading clearing bankers say privately that they do not intend to *make any more loans.*

Whatever happens, the actual debt reduction for Mexico will be considerably less than 35 per cent. The agreement only covers about $52.6bn of medium- and long-term debt, just over half the total of Mexico's foreign debt. Some banks will make new loans, while others will opt to receive less interest income, but not reduce the outstanding amount of debt.

As bankers are keen to point out, there is a long way to go before the details of an agreement are sorted out – they are aiming to do this by August 30. But assuming a deal can be done for Mexico, the real worth of the Brady initiative will be tested by those that follow.

Can, for example, a deal be brokered for the Philippines or Uruguay without the investment of the political capital on the scale that has been needed for Mexico? The US Treasury and Federal Reserve have been in constant touch with the banks: the agreement in principle was, according to some accounts, broadly structured by Mr Gerald Corrigan, the president of the New York Federal Reserve Bank.

Other debtor countries will be poring over the fine print of the Mexican deal. For most, new loans from banks will still be needed and the debt reduction obtained will often be small. US officials say the picture should not be analysed from a static viewpoint but from a dynamic one: how much would the stock of debt have grown without the Brady initiative?

The achievements will probably continue to look modest.

Its most important achievement then could be the recognition, overdue in the eyes of many, that many debtor countries are not in a position to pay their way without highly undesirable social results: that conciliatory default is preferable to the confrontational repudiation of debts.

Stephen Fidler

Bush voices concern over Bloch case

By Lionel Barber in Washington

PRESIDENT George Bush yesterday revealed that he had known "for some time" about the FBI investigation into Mr Felix Bloch, the senior US diplomat suspected of espionage, and called the affair a "very serious matter".

Speaking at the White House, Mr Bush avoided passing judgment on the case against Mr Bloch, former deputy chief of mission at the US embassy in Vienna, but he added: "If a person is allegedly involved in betraying his country that to me is a very *serious matter.*"

Mr Bloch, 54, a career diplomat for 30 years, was reported yesterday to be under heavy FBI surveillance in the New York suburbs. He has yet to be *formally charged or arrested* but the State Department, reacting to a television report, said last Friday that Mr Bloch was the target of an investigation into "illegal activities" involving "agents of foreign intelligence services".

Speculation increased that the US authorities leaked news of the investigation last week to increase pressure on Mr Bloch to co-operate by revealing how much damage has been done to US intelligence.

Mr Bloch worked for an unusually long stint – August 1980 to July 1987 – in Vienna, a hot-bed of East-West contacts. He also worked in the newly-opened embassy in East Germany in 1974, transferring from West Berlin. His close friend, Mr Alois Mock, the Austrian Foreign Minister, told an Austrian newspaper that the US had suspicions "reaching back to the 1970s" about Mr Bloch's activities.

The Bloch case has polarised the diplomatic community. Mr George Vest, former director general of the foreign service, denied strongly that Mr Bloch *had* been pulled back prematurely from Vienna. But Mr Ronald Lauder, former US ambassador to Vienna and now a Republican candidate for mayor of New York who has spent $8.5m on his campaign, said: "I did not like him. There was something about him that bothered me."

OVERSEAS NEWS

Israel moves to boost economy

By Hugh Carnegy in Jerusalem

ISRAEL'S coalition government, under pressure to inject growth into the stalled economy, yesterday approved a 275m shekel (£84m) package of infrastructure spending along with new aid to industry and tax changes.

The package, proposed by Mr Shimon Peres, the Finance Minister and Labour leader, was agreed a day after a two-hour general strike organised by the Histadrut trade union federation in protest at rising unemployment, which looks set to top 10 per cent for the first time in 20 years.

Taken with a total of 200m shekels in extra funds pledged on Sunday to the Defence Ministry to cope with the cost of suppressing the Palestinian uprising in the occupied territories, the package means significant extra expenditure by the government at a time when tax revenues are falling well below target because of the slowdown in the economy.

Because of the threat of a swelling budget deficit – already projected at around 6 per cent of gross national product for the year – and inflation currently standing at about 20 per cent a year, the government said all the extra spending would be financed by cuts in other areas, although these were not spelled out.

The 275m shekels is to be spent on road building, sewage and water projects, schools, tourist developments and research and development projects. Government guarantees to ailing businesses will be extended in some cases and *investment grants to new* industries will be stepped up.

The extra spending is likely to be spread over the next 18 months and will not be incurred in full this budget year.

Tax measures include relaxation of rules covering business mergers and tax exemptions for foreign companies establishing their headquarters in Israel.

The compensating cuts are slated to be found by reducing unemployment benefits and other transfer payments.

China's socialism drive sows only public confusion

Lindsay Murdoch in Peking looks at conflicting signals from the propaganda on western influence

A COLOUR feature film depicting Deng Xiaoping's revolutionary career will be shown throughout China from 1 August. For China's paramount leader it will be a timely public relations boost, as he will not be voted his country's 1989 Man of the Year: that title, by popular request, could end up going to the sacked Communist Party chief, Zhao Ziyang, who is under house arrest in the centre of Peking.

Two banned books about Zhao's life are hot property in the capital. They are selling for triple the normal price. "If they had such a thing as an opinion poll in China, Zhao would be way ahead. The more they denounce him, the more people look up to him," says a lecturer at Peking University.

A dilemma now facing Deng Xiaoping, 84, and the other ageing leaders of the Chinese Communist Party, is whether to put Zhao on trial, which might permanently stop him from making a comeback.

But the risks are grave. A public trial might split the Party and transform Zhao, purged after troops brutally crushed the pro-democracy movement, into a martyr.

If the film is being updated to include recent events, it will almost certainly depict the chain-smoking Deng Xiaoping as having saved China from the brink of "bourgeois liberalisation" and from hooligans and thugs conspiring with hostile foreign forces to overthrow the leadership.

It is a tragedy for China that Deng and his cohorts probably believe they have done just that. Deng's leadership appears not to realise or care what the people think, want or have learned since his 1978 reinstatement to power when he announced that economic development and modernisation of the country – not the class struggle – stood at the centre of the Party's politics.

Just six weeks ago China's intellectuals were full of hope for the future. Now they are full of despair. Foreign businessmen who are returning to test the water say that officials with entrepreneurial ability have either been purged, fled the country, disappeared or are too frightened to even discuss projects.

China is hurting badly. It wants to be considered a world power but sees investment being drawn away by its regional neighbours. China wants western investment, technology and know-how, but does not want western cultures or politics.

Deng Xiaoping: In the movies

This is what is causing the contradictions that are so evident. The Government claims that everything is back to normal, the "counter revolution" has been crushed and China will continue to open to the world.

But the Government has not ended martial law in the capital and it continues to arrest and detain hundreds, perhaps thousands, of people and there still remains the possibility of the secret execution of civilians.

The march to modernisation is proceeding, the Government claims, but it has restricted foreign influence and has also stepped up its attacks on western countries, warning them not to stick their noses in China's affairs.

When Deng took the decision to crush the pro-democracy movement, he either did not care or did not fully consider what the international reaction would be.

Diplomats are convinced that his leadership was surprised and shocked by the strength of the protests from around the world.

Deng, who has three times in his long career fallen into the political wilderness, appears only to know that power comes from the barrel of a gun. But what has worked before, will not necessarily work in today's China that he started to reform 10 years ago.

The new climate is visible deep inside Peking's Purple Bamboo Park. On top of a hill, where the black earth is trampled flat, more than a dozen people, out of about 500, swamp each foreigner who arrives to speak English with Chinese people.

The Chinese are hungry for news of what the world is saying about China. They are frightened to say what they think, because there are Government informers in the crowd, but the message is clear from the questions and from the expressions on their faces, few are being fooled by the Government's pervasive propaganda.

Like it or not, China is influenced by the West. In school text books, students read speeches made by Martin Luther King and they learn about other political systems. In their bedrooms, there is more likely to hang a photograph of Madonna or Michael Jackson than Deng Xiaoping. But the Government crackdown is sweeping up education. Schools have been ordered to emphasise the merits of socialism ahead of money.

In the provinces, where about 80 per cent of China's 1.2bn population live, most people have access to radio and television. It is difficult to assess what effect the propaganda has had.

Ruled by emperors for 2,000 years, they are both submissive and ungovernable. The Government said last week that 20 per cent of China's grass roots Government bodies in rural areas were doing a poor job and five per cent of them appeared unable to function at all.

While the Government's reforms have lifted the peasants' standard of living, some diplomats say that news of the Peking massacre will have spread by word of mouth.

Many people listen to foreign news broadcasts. A private shopkeeper in Peking says: "Progressive people in China know that the central Chinese television doesn't represent the truth so they listen to foreign broadcasts."

The other day central television showed the happy scene of peasants lining up to sell their grain. What it did not show is that they were not getting cash but IOUs.

Through the crisis of China's summer the Deng leadership has been slow in reacting to events, perhaps deliberately. Chairman Mao Zedong once said: "You have to let the poisonous weeds sprout before you pull them out."

It is a widely believed superstition in China that political upheaval is accompanied by disaster. Just before Mao Zedong died in 1976, a catastrophic earthquake devastated Tangshan region killing 600,000 people. China fearfully waits.

Mauritius seeks to build on its economic miracle

Encouraging offshore banking is one facet of a new development strategy, reports Tony Hawkins

THE Mauritian drive to establish an offshore banking centre on the small Indian Ocean island moves into higher gear this week when a high-powered delegation meets London bankers.

Earlier this month, Mr Induruth Ramphal, governor of the Bank of Mauritius, said Barclays Bank would start offshore operations next month, and offshore licences have also been awarded to the Bank of Baroda and to the Rothschilds group.

Finance Minister Vishnu Lutchmeenaraidoo, leading the delegation to London, hopes to issue eight to 10 offshore licences by the end of the year as part of the island's three-pronged programme to diversify its economy, and reduce dependence on labour-intensive textiles and sugar.

The Mauritian economic miracle of the 1980s – real GDP growth of 7 per cent a year, unemployment down from 23 per cent in 1980 to 2.7 per cent, a balance of payments surplus in 1988/89 compared with a deficit of 15 per cent of GDP in 1981 – had its roots in rapid expansion by the labour-intensive textile and tourist industries. So long as unemployment was the prime target, the quantity rather than the quality of new investment was crucial.

But with full employment, and serious capacity constraints developing in the construction and industrial sectors, the focus of strategy has switched to a capital-intensive, service-oriented economy. The offshore banking centre, the creation of a free port at Port Louis and the relaunching of the Stock Exchange this month are one prong of the new development strategy.

The other two focus on textiles. One involves consolidating textile activity through vertical integration – the establishment of two weaving mills and two denim factories – and moving upmarket into higher-value-added textiles and clothing. The second, where progress is less obvious, is diversification out of textiles altogether into high-value-added manufactures for export.

IN recent years, as sugar's importance to the economy has declined with its share in GDP from 12 per cent in 1980 to a forecast 8 per cent in 1989, so the export processing zone (EPZ), in which 90 per cent of activity is textiles and clothing, has become the engine of the economy, accounting for almost a third of economic growth since 1983.

So long as labour was readily available and wage costs could be contained, this strategy was highly successful. But with the quasi-full employment and average real wages rising at 10 per cent a year for the past two years, labour-intensive industrialisation is no longer a viable option.

The strategy for the 1990s has been codenamed Operation Leapfrog, denoting the plan to short-circuit some of the intermediate stages in the transition from labour-intensity to a capital-dependent economy.

But for this to happen Mauritius needs to close the gap between its existing skills base and that necessary for competing with the newly-industrialising countries.

A *government report* released recently sets out a new Industrial Training Strategy and in the 1989 budget Mr Lutchmeenaraidoo said the government would spend $16m (£10m) on manpower training, to be supplemented by a new training levy.

In addition, companies are now entitled to a 200 per cent *income tax deduction in* respect of money spent on manpower development, and the state-owned Development Bank of Mauritius has set up a new $13m facility to help textile companies modernise their equipment and adopt more capital-intensive production techniques.

The shift from a labour-surplus to a labour-scarce economy will mean slower economic growth in the 1988/90 period – down from an average of 8.7 per cent in 1986/7 to a still very respectable 5 per cent. Growth will fall to just over 4 per cent this year, reflecting a poor sugar season after the drought and cyclonic activity of the last two years.

But Mr Lutchmeenaraidoo is confident the economy will regain momentum in the 1990s, *when growth is projected at* more than 6 per cent annually.

More worrying than the slowdown in growth is the resurgence of inflation, which after falling from more than 40 per cent in the early 1980s to 1 per cent in 1986/7, is now estimated at 16 per cent.

OAU renews call for Africa debt conference

AFRICAN leaders opened a summit yesterday and revived a four-year-old call for an international conference on *Africa's $230bn external debt*, and previous proposals which include a 10-year suspension on debt repayments, Reuter reports from Addis Ababa.

"Chances for eventually meeting the ever-increasing debt burden are nil under the present circumstances," says a report prepared by the 49-member Organisation of African Unity (OAU) at a summit in the Ethiopian capital which ends *tomorrow*.

The report was requested by African heads of state at their summit last year after the failure to win 15 European creditor governments over to the idea of such a conference.

Africa's creditors are wary that a conference would set a precedent for collective bargaining which heavily *indebted* Latin American countries, with their greater economic clout, might try to exploit.

But the OAU still hopes to convene a debt conference and to prepare for one has organised an international seminar on Africa's debt in Cairo from August 28-30.

In addition to a *10-year moratorium on debt service* payments the OAU hopes a conference would reach agreement on a *total maximum level of* debt service which African countries should subsequently be expected to pay, as a percentage of exports.

It reaffirmed previously announced targets for an international conference to *convert* all future official bilateral loans into grants or low-interest debt with repayments *over 50* years.

The same repayment period should apply to any renegotiated debt, *for* which part of the payment should be in local currency.

The OAU report said that attempts *to* resolve Africa's debt crisis should reflect the fact that the continent was the world's poorest. Foreign debt remained a *major constraint* to African nations' attempts to revive economies sapped by poverty, food shortages, low productivity, backward technology and natural disasters.

OVERSEAS NEWS

Cambodia talks falter over Khmer Rouge role

CAMBODIAN Prime Minister Hun Sen yesterday firmly *rejected* any role for the Khmer Rouge in a future government, saying that giving them power would be "to hold the people hostage", AP reports from La Celle-Saint-Cloud, France.

At a news conference after four hours of talks with resistance leader Prince Norodom Sihanouk, Hun Sen said the question of a role for the Khmer Rouge remained the most important problem in peace negotiations.

Prince Sihanouk, in brief comments as he left the grounds of the 18th-century château where they met, said his talks with Hun Sen ended in "complete *disagreement*". He said he and his coalition partners would continue their fight against Hun Sen's Vietnamese-backed government.

The meeting between the two leaders was a prelude to expanded talks today leading to a conference on Cambodia starting on Sunday.

Hun Sen noted pressure to give the Khmer Rouge some power to avoid civil war.

"We think such a version of things *is to make the people* hostage to the Khmer Rouge... our position is we are *not hostages of Pol Pot*," he said of the man who led the Communist Khmer Rouge during its reign or terror from 1975 to 1978. He said giving them power would lead to "uncontrollable war".

There was no progress in yesterday's talks, said Hun Sen. He said the talks were blocked by Sihanouk's insistence that he consult the other two members of the three-member resistance coalition on all matters under discussion. Hun Sen said talks should involve two delegations, one from the resistance, one from his government.

The other two members of Sihanouk's resistance coalition are the Chinese-backed Khmer Rouge and the non-Communist Khmer People's National Liberation Front of Son Sann.

French Foreign Minister Roland Dumas welcomed the *two rivals*, who smiled and shook hands for photographers, met in the château for 2¼ and then continued talks over a two-hour lunch.

Pakistan and Thailand are the Asian countries playing host to the largest refugee populations. Both have managed the problem extraordinarily well for more than a decade, with internal social disruption from huge influxes of population, all of which have been more-or-less fed and clothed. About 40 per cent of the world's 14m *refugees are Afghans and most are camped in Pakistan.* Thailand not only copes with the inflows which resulted from years of war and instability in Laos, Cambodia and Vietnam but also plays host to Burmese refugees fleeing form repression in Rangoon. FT writers look at the plight of refugees in both countries

Afghans fleeing the fighting on their way to a refugee camp near the *Pakistani city of Peshawar*

Afghans remain proud in their dusty exile

On a rock beside the stony track leading to Hawai Camp Number 8 someone has chalked "Death to the kafirs (non-believers, referring to the Soviet backed government of Afghan President Dr Najibullah). Our jihad (holy war) will be victorious."

This is the hope that sustains more than 4m Afghan refugees living in exile in Pakistan. Despite 11 years of war, faces amongst the world's largest refugee population are proud rather than desperate. Hawai Camp Number 8 opened *only in April, long after* the Soviet occupation force had departed Afghanistan. Its 6,000 *inhabitants are the latest* arrivals and, unlike earlier refugees who almost all came from rural areas, *these* were city dwellers, forced out of Jalalabad by heavy bombing following the mujahideen onslaught in March or forced out of Kabul by lack of affordable food.

They are treated with suspicion because they stayed inside Afghanistan so long. They are kept separate, and are unregis-

tered like more than 1m refugees *who have arrived over the* last two years. With no relatives in Pakistan and having *fled with nothing but the* clothes on their backs, they are totally reliant on aid agencies.

Hawai is no resort. The name in Pushtu means "place of wind," but the hot desert gusts bring little relief to those making homes on the gravel under canvas sheets strung across poles, offering little protection against the relentless sun. Such tents stretch as far as the eye can see on the exposed moonlike terrain where *there is no shade*, the only vegetation is thornbushes, and the sanitary arrangements consist of a pit.

Dr Amir, a new arrival from Jalalabad, has set up clinic under a sheet from where he valiantly battles against sunburn, malaria and dehydration. The biggest problem for those used to the bustle of city life is *boredom*. The camp has become known as the place of a thousand eyes, and Grun, *who looks far beyond her 26* years, explains: "There is nothing to do but watch and wait. This is not life but suspension."

Despite the poor conditions there are no regrets. Nasi Bibi who lost almost her entire family in a bombing raid outside Jalalabad during her wedding, says: "There was nothing to look forward to but more bombing. It could only get worse," Says Grun, "We had a *good life in Jalalabad*. We only left when there was no alternative. At least here we are safe."

When the exodus from Jalalabad began in March with some 20, 000 refugees arriving *in two weeks, Pakistan, whose* record of coping with the world's largest refugee population has been remarkable, could not manage the extra burden. More than 50 non-governmental aid organisations with offices in the frontier town of Peshawar, were asked for help and many responded, some offering to take responsibility *for new camps for a lim*ited period. Kuwait Red Crescent took on Hawai Number 8 but no one knows for how long.

At nearby Khisgi, they have tents from Interchurch but no food. Asim Khan, a refugee from Baghlan, complains: "All we can get are scraps from the bazaar and every day children are dying," In Nasirbagh just outside Peshawar, Western aid workers say many children died in the intense heat simply because they had not been provided with containers to keep water *from the truck which* comes only once daily.

Visitors to camps do not usually get as far as camp No. 8. Turning off the main road an hour outside Peshawar, one *must first traverse camps 1 to* 7, long-standing model camps indistinguishable from local villages. The refugees have built mudhuts and run bakeries, pharmacies and tailors shops in a bustling bazaar.

Most of the 345 camps in Pakistan have schools and basic health units, often with better facilities than those *available to the local popula*tion. But international aid which supported these developments peaked in 1984 and now even the model camps have problems. Huge charts cover the walls of the administrator's office at camp 2, listing all the basic items that registered refugees are supposed to receive. Against the words tents, quilts, groundsheets, clothing, skimmed milk, sugar, tea is written "Nil."

Refugee officials fear that Afghanistan will soon be forgotten. Shah Zaman, deputy *director of the Refugee Com*mission, believes "many agencies were only here to humiliate the Soviets. Now that is achieved, they are drawing back."

Some 40 per cent of the world's 14m refugees are Afghans. Nearly half of *Afghanistan's population* is displaced, 2m being internal refugees within Afghanistan, a similar number being hosted in camps in Iran and 3.3m registered refugees being accommodated in Pakistan together with up to 1m unregistered. Running the 345 camps costs $1m a day.

Christina Lamb

Mortar shells aplenty, but hope in short supply on Thai border

THE refugee problem isn't hopeless. Unless you think so . . . This somewhat optimistic headline from a current advertisement promoting the work of the United Nations High Commissioner for Refugees is particularly applicable to Thailand, *where for much of the past 15* years hope has been in short supply.

And, as was seen again last weekend on Thailand's western and eastern borders, the physical safety of refugees remains at threat from artillery and mortar shells.

There are currently about 400,000 refugees in Thailand, which makes the country Asia's second-largest recipient after Pakistan.

They come from each of Thailand's neighbours - Cambodia, Laos and Burma - plus Vietnam whose army is also still an unwelcome neighbour.

More than 600,000 Indochinese refugees have arrived in Thailand and subsequently have been resettled in third countries.

Others, who survived the murderous regime of Pol Pot in Phnom Penh from 1975 to 1978 and then fled from the advancing Vietnamese occupation forces, have since been shuffled back and forth in the border area, being treated as political footballs, as potential guerrillas to fight the Vietnamese, as porters to ferry weapons and ammunition and as a *constituency to support the* aspirations of rival Cambodian factions.

For many the situation remains precarious. The approximately 300,000 Indochinese receiving some form of UN assistance have at least the basics for existence. But it is impossible to know accurately the conditions being suffered by the Cambodians in all the camps operated by the Khmer Rouge, which is said to range from poor to appalling.

By contrast, when Mrs Thatcher visited a camp operated by Prince Sihanouk's faction last August she found a model village with cheery, smiling children, health care, schools, workshops and the sort of reception she will be grateful for at the next Conservative Party conference.

None of the 300,000 people currently on the border are officially designated refugees and do not qualify for resettlement under the UNHCR administered programme.

While in the past a 20-year-old Vietnamese taxi driver may have arrived by boat, stated California as his preferred destination and now be living in Los Angeles, there are no such options for the displaced Cambodians on the border.

The Thai authorities, already suffering from a sense of saturation and *fearing* further arrivals, want the Cambodians kept at the border, which also happens to suit the three members of the Cambodian resistance and their international supporters.

The presence of the refugees provides legitimacy for the resistance, while also *helping* to maintain political and military pressure on the Vietnamese and on the Government of Hun Sen in Phnom Penh.

On the other side of Thailand, where the refugee problem on the border with Burma has always been largely seasonal, there is increasing cause for concern.

Historically, the Burmese Army has launched dry-season offensives against ethnic rebel groups and then withdrawn when the rains made it logistically impossible to consolidate any gains.

Villagers would seek temporary refuge in Thailand and the problem was handled locally on an ad hoc basis.

However, the situation has deteriorated considerably since the Burmese regime cracked *down on pro-democracy* demonstrations last September. Several thousand students, fearing imprisonment or death at the hands of the military, fled to the border with Thailand.

A relatively small number wanted to be given military training and were accepted by the rebel groups.

Many more have been living in makeshift camps in the jungle with little water, food or mmedicines. Almost alone amongst the international community, the US has voted funds to relieve their plight.

Ill-suited for jungle existence, the student numbers have dropped to about 3,000 but increasingly they have been caught up in intensified offensives by the Burmese Army, seeking to subdue particularly the *Karen rebels who* live in areas where the Rangoon Government has sold logging concessions to Thai companies.

There is some hope that the Thai Government may soon be willing to offer the students and others a wider choice than the unattractive option of voluntary or involuntary repatriation. However, even if that does come about, it is unlikely that Bangkok would want to publicise *the decision*.

As the Burmese regime introduces ever more draconian measures in an effort to stifle dissent, the Thai Government may justifiably fear a serious new refugee problem on its borders.

It is also very conscious of the magnet effect which a group of refugees can have. After 15 years the Vietnamese are still coming.

Roger Matthews

WORLD TRADE NEWS

US steel quotas ruling imminent

THE BUSH Administration *this week is expected finally to* produce its long-delayed decision to seek extension of the current five-year Voluntary Restraint Agreements which have cut back the foreign share of the US steel market to about 20 per cent, **Nancy Dunne reports from Washington.**

With the September 30 deadline looming for the expiry of the current quota programme, the Bush Cabinet has been divided about the shape and duration of the new programme.

The steel industry has insisted that it needs a five-year extension to recover from 20 years of dumping, but only one cabinet member, Mrs Elizabeth Dole, the Labour Secretary, has come out in full *support of the industry position.*

Mr Robert Mosbacher, Commerce Secretary, reportedly has backed a long extension, with *provisions made for additional* steel imports for products in short supply.

Other advisers are pushing for a two-year *extension followed* by a two-year phase-out of protection.

The Trade Representative's office *said yesterday that* a final decision could come this week. The President is likely to make part of the final package *a call for an international* agreement banning steel subsidies.

Congressman Benjamin Cardin, a *Maryland Democrat*, has argued the industry's case, insisting that it needs about $14bn of additional resources to be *competitive.*

"With $8bn of debt currently held by the steel companies, there is a clearly a need for additional resources to be made available," he said.

A powerful coalition of steel-using manufacturers has complained of recent price rises, shortages and uncertain delivery times.

They say that while the VRA's have saved 17,000 jobs in the steel industry, they have cost 52,000 jobs in other industries.

Mr John Jensen, president of the Precision Metal Forming Association, which uses about 25 per cent of the nation's steel, is urging a two year phase-out of the restraints, with the quotas rising every *six months.*

"Our trade laws are the proper lever to be used against unfair trade," he said. "It is our belief that the industry wouldn't win because they would have to show injury."

Testifying in Congress for the industry, Mr William Welsh, president of Valmont Industries, insisted that the current programme, with its provisions for short supply situations and its requirements for reinvestment "provides for a healthy steel infrastructure in both the production and consuming sectors."

Japanese steel producers have already said they will comply with a US request for renewal of the quotas, regardless of its terms.

EC members weave textile compromise

By William Dullforce in Geneva

THE EC PAPER presented yesterday on the liberalisation of the world textiles and clothing market is the result of hard-won internal compromise between the Community's northern members and southern *countries, in particular* Portugal, whose overmanned textile industries fear competition.

The proposals are bound to evoke criticism from developing countries for not opening up protected markets fast and unconditionally enough.

US textile manufacturers, whose future is a highly sensitive political issue in Washington, will also be unhappy with *the proposals.*

But some Third World delegates yesterday applauded Brussels for its effort, which *they saw as opening the way* at last for real negotiations on the textiles trade.

In the paper, the EC says that greater access to industrialised markets for textile imports must be accompanied by a strengthening of Gatt rules and disciplines in several key areas.

The gradual integration of the Multi-Fibre Arrangement into Gatt, as envisaged in the EC paper is defined as "the progressive elimination of trade restrictions incompatible with Gatt rules."

In the Community's view, this means not just MFA *restrictions but any others not* in conformity with Gatt. A special body would monitor the process of integration.

The EC believes that with the MFA expiring at the end of July 1991, it would be impossible to make the textiles trade subject to all Gatt rules *immediately* from August 1, 1991.

Under its constitution, the Uruguay Round is due to be completed by the end of 1990.

It should, therefore, be possible, the EC argues, to organise the start of the integrating process to coincide with the entry *into force of the post-MFA* arrangements.

However, the EC declines to set a date for completing the *integration, referring to the* "major importance of the textiles industry for the economies of many countries" and the impact a date would have on business investments.

The question of the timetable – perhaps the most sensitive issue of all – could be examined in detail once the Uruguay Round was drawing to a close, the EC says.

Current restrictions, mostly in the form of quotas, could be eliminated either directly or by converting them to tariffs and then progressively reducing them, the EC suggests without indicating any preference.

But in one of its more controversial suggestions, the EC asks for a transitional safeguard mechanism to be established, *"to avoid the disruption*

The paper springs from compromise between the EC's northern and southern countries, especially Portugal, whose overmanned industry fears competition

of markets and to allow the restructuring of the industry to continue". This mechanism would be available only during *the period of integration.*

"Safeguard" is Gattspeak for measures countries can take to protect industries temporarily against sudden surges in imports.

The MFA can be seen as an enormous, wrongfully prolonged safeguard programme, which allows countries to take unilateral action against textile-exporting countries.

EC officials argue that this complex system cannot be dismantled without some flexible, strictly limited safeguards being allowed during the dismantling phase.

Almost half the EC paper *lists the reinforcements of* Gatt's general rules which Brussels sees as the vital accompaniment to the *liberalising of the textiles trade.*

Other countries, including the textile exporters, would be expected to open up their markets by reducing tariffs and eliminating non-tariff obstacles.

Developing countries would have to abandon at least partially their existing right under Gatt to put up import barriers for balance-of-payments reasons. Exceptions could be *made for the poorest countries.*

Textile-exporting countries would have to stop making raw materials available to domestic *clothing producers at prices* lower than those prevailing on the world market.

Brussels wants greater protection for trademarks, designs and models in the clothing trade, and therefore considers it essential that the negotiations on intellectual property – one of the "new" issues in the Uruguay Round – produce "substantial results".

Japanese among top Australian exporters

By Chris Sherwell in Sydney

FIVE of Australia's top 10 exporters are Japanese trading companies, according to a newly-compiled listing – and all 10 export farm or mining commodities.

The listing, which sharply reflects the economy's continuing heavy dependence on foreign companies and commodity exports, is part of Australian Business magazine's league table of the country's Top 500 exporters.

Top of the table is the Australian Wheat Board, which markets the country's export grains. Its export revenues in 1988-89 are *put at* A$2.33bn ($2.1bn), up from A$1.7bn the previous year, when it came in third.

The board beat Broken Hill Proprietary (BHP), Australia's largest company, because the listing considers individual operating divisions of various corporations separately.

Thus, had BHP Minerals (in fourth position), BHP Steel (12th) and BHP Petroleum (22nd) been taken together, the group would have finished top, with export revenues of almost A$3.1bn. Similarly, CRA, the *mining group, would have* finished third, with export revenues of A$2.2bn.

The five Japanese trading houses in the top 10 are Mitsui (second) with export revenues of A$2.3bn, Mitsubishi (fifth) with A$1.9bn, C. Itoh (sixth) with A$1.65bn, Marubeni (seventh) with A$1.137bn, and Nissho Iwai (ninth) with A$1.15bn.

Other companies to feature in the top ten were Alcoa Australia (third), the world's largest bauxite miner and alumina producer which is a 51 per cent-owned subsidiary of Alcoa of the US, and *MIM Holdings* (eighth), the Brisbane-based base metals mining company.

The highest manufacturing group to appear after BHP Steel is General Motors-Holden, at 25, with revenues of A$310m, mostly from engine exports.

The highest European company to appear – not counting CRA, which is 49 per cent owned by RTZ of the UK – is Shell, at 18, with revenues of A$480m.

● Ford Motor Co's Australian unit said yesterday it had started production of a new sports car that will go on sale in Australia this October and in North America next year, **AP-DJ reports from Sydney.**

The car will be sold in the US and Canada through Ford's Lincoln Mercury division as the Mercury Capri. At least 30,000 small sports cars will be exported in a full year.

US concern over European plans for local content in broadcasting

By Peter Montagnon, World Trade Editor

THE US is growing increasingly concerned over plans by the European Community to impose a local content requirement on broadcasting as part of changes associated with the single European market planned for 1992.

At a conference in London last week Mr Rufus Yerxa, US Ambassador to the General Agreement on Tariffs and Trade, said the Bush Administration's concern in this area had grown "significantly," even as its worry about reciprocity requirements in banking had abated.

The EC is considering *legislation that would impose a* local content of about 50 per cent on broadcasting, largely out of the fear that *European television programmes would* be swamped by low quality US imports.

Mr Frans Andriessen, the EC External Relations Commissioner, acknowledged that this was a problem for trade policy-makers, but it was recognised as such around the world.

"I don't see how we can bring about a common market in this sector without some local content requirements," he told the conference which was organised by the Confederation of British Industry and the Royal Institutute for International Affairs.

Though foreign programming would be restricted to a *certain portion of air time, the* market as a whole would be growing rapidly and this would provide opportunities for *outside programme makers,* he said.

The US expression of concern is the latest in a series which is propelling media issues into greater prominence in trade policy.

Under pressure from the powerful US television lobby, the US tried unsuccessfully to persuade Canada to liberalise its cultural policies during the negotiations that led to their bilateral free trade agreement.

The issue is regarded as important in a broader context because any precedent set *bilaterally is likely* to have repercussions on discussions on liberalising trade in services in the multilateral Uruguay *Round.*

Broadcasting is one of the sectors to which new rules on trade in services are expected to apply.

French order Airbus A321s

AIRBUS Industrie said yesterday that the French charter airline Euralair ordered two short-to-medium range Airbus A321s, the planned new stretched version of the A320, the consortium's *latest and highly succesful* jetliner, with an option on one more, **Reuter reports from Paris.**

An Airbus spokesman, announcing the sale, gave no financial details. But industry sources say a new A321 will probably cost about $45m, with delivery expected to be in 1995 and 1996.

Euralair's order brings the number of orders for the A321 to 32 with a further five options. Airbus has set a target of 40 firm commitments before formally launching the programme *for the plane,* which seats between about 180 and 200 passengers.

The A321 is the latest addition to a family of aeroplanes already consisting of the wide bodied A300 and A310, the short haul A320 and derivatives as well as the projected new generation medium-to-long range A330 and A340.

Airbus is a consortium consisting of France's Aérospatiale, West Germany's MBB, Britain's British Aerospace and Spain's CASA.

Also yesterday, Airbus said in its monthly newsletter that it had received firm orders for a total 34 long-range jets. The *monthly newsletter said that* two unannounced customers had signed contracts for 25 A340s with options on a further *three. It also said two unannounced* customers had ordered nine A330s with options on three more.

It gave no further details on the orders but said two unannounced customers had also placed commitments for seven A330s and one A340.

Hills aims for ship accord

MRS Carla Hills, the US Trade Representative, will seek a multilateral agreement through the General Agreement on Tariffs and Trade and the Organisation for Economic Cooperation and Development to curb use of government subsidies on shipbuilding, writes Nancy Dunne in Washington.

***Mrs Hills' decision came in* response to an unfair trade petition filed by the Shipbuilders' Council of America. She said Germany, Japan, Korea and Norway – the four countries, named in the petition – were *willing to engage* in serious negotiations aimed at reaching a multilateral agreement.**

The Shibuilders' Council agreed to withhold its petition on the strength of Mrs Hills' promise to begin immediate negotiations and to initiate an investigation, which could *lead to unilateral action.*

Pakistan cable order for Australia

AN AUSTRALIAN joint venture has won the A$30m ($39m) contract to supply, install and commission 2,000km of optical fibre cable in Pakistan, one of the largest export orders ever secured by the country's high technology telecommunications industry, **Chris Sherwell reports from Sydney.**

The international arm of state-owned Telecom Australia teamed up with Olex Cables, part of the Melbourne-based Pacific Dunlop conglomerate, to beat 10 of the world's major telecommunications companies from Europe, the US and Japan, including AT&T and Pirelli.

Telecom Australia has previously won a A$86m service contract to manage the Saudi Arabian telecommunications network for three years, but this is its first large contract containing a major equipment component.

Olex has previously won a A$10m order to supply cable to Televerket of Sweden.

Under the Pakistan deal, steel-armoured optical fibre cable with a capacity for 8,000 voice and data channels will stretch through the Indus River valley between Islamabad, the capital, and Karachi, the country's largest city.

Transmission repeaters in underground housings will be powered by solar booster stations about 40km apart. Telecom said it would be applying the techniques it had already used in establishing long-distance, remote-area optical fibre cables between Adelaide and Perth.

According to Mr Philip Brass, managing director of Pacific Dunlop, another important element in securing the tender was Olex's improved cabling technology, under which manufacturing costs had been reduced by combining previously separate operations.

Apart from Optix, the Olex cable-making subsidiary, more than 10 Australian companies will be involved as sub-contractors. Finance for the turnkey project is coming from the World Bank, and work is expected to begin in early September.

UK NEWS

Authority awards new cable TV franchises

By Raymond Snoddy

THE North American push into the UK cable television industry is continuing, with *three franchises in East Anglia* being awarded to US and Canadian companies.

Pacific Telesis, the US *telephone company element of the* old US Bell empire, is the main financial partner in local companies which have won the *Norwich and Peterborough* franchises.

The Ipswich and Colchester franchise has been awarded to *East Coast Cable, a company* formed by Maclean Hunter, the Canadian publishing and cable company, and a group of local shareholders.

To avoid rules stipulating EC control, cable franchises which have dominant North American investors currently have to be run through Channel Island trusts.

The Government, however, has made it clear it will in future allow non-EC ownerships of local television services.

The Cable Authority has also advertised a further seven franchises for: the London Borough of Havering; Dartford and Swanley, Kent; Harlow, Bishop's Stortford and Stanstead Airport; Stratford, Warwick, Royal Leamington Spa and Kenilworth; York and Harrogate; Bournemouth, Poole and *Christchurch*; and *Salisbury* and Winchester.

They bring to 78 the number of cable franchises, covering about 9.6m homes, either awarded or advertised.

Economy shows slowdown trend

By Ralph Atkins, Economics Staff

LATEST cyclical indicators for the UK economy, designed to *predict turning points in activity,* point to a slowdown, the Central Statistical Office said yesterday.

The longer leading index, which looks a year ahead, fell in June, continuing the decline since July 1987.

Provisional estimates of the shorter leading index, looking six months ahead, show a rise in May, but the office said the increase was likely to be temporary.

The office warned that the figures could be revised later, but were consistent with a *slowdown in economic growth.*

North-west criticises BR forecast of tunnel traffic

By Ian Hamilton Fazey, Northern Correspondent

BRITISH RAIL has underestimated potential passenger traffic through the Channel tunnel to north-west England by one-third and freight opportunities by nearly 40 per cent, according to a study published yesterday.

The study, by planning consultants PIEDA, MVA and Maritime and Distribution Systems, was commissioned by a consortium of private and public sector interests in the north-west, led by the Manchester and Merseyside chambers of commerce and their 18 affiliates, which represent most of the region's industry.

Mr Ken Medlock, chairman of Inward, the region's inward investment agency and a former chairman of the Merseyside chamber, said: "Decisions being taken now will set the pattern of usage of the Channel tunnel and the rail network for *30 years from 1993. British* Rail has got a great deal wrong."

The study predicts that opportunities created by the tunnel for direct travel between city centres will be seized by passengers and the tourist industry. Mr Medlock says British Rail has failed to take account of package tours by rail at all, in spite of Continental evidence of their growing popularity on fast expresses.

Forecasts should be raised from BR's 670,000 passenger journeys in 1993 to 891,000, equivalent to four daytime half-trains, the study says.

Full trains would be split at Rugby between midland and north-west destinations. The figure would rise to seven half-trains a day by the end of the century.

The study *says BR's estimate* for 1993 of 1.44m tonnes of containerised freight to and from the north-west should be raised *to 2m tonnes, given* that a quarter of the UK market lies within 40 miles of Manchester.

Mr Medlock said: "Since imports exceed exports, it will be the continental users who will determine the main mode of transport, not the UK. They are already increasing their rail usage and making preparations to use the tunnel fully."

The study says that the traffic would be enough for seven freight trains a day between the north-west and Paris/Brussels. BR would have to offer a 12-hour overnight service if these were to get through before daytime passenger traffic took over the tracks.

"There would also be an opportunity for the UK to function as a railway "landbridge" to mainland Europe.

Volumes would be small for high-value transatlantic cargoes *shipped through* Liverpool but there would be a substantial opportunity for the transportation of cargoes to and from Ireland via the Mersey or through the port of Holyhead.

NFC to develop Cardiff site

By Anthony Moreton, Welsh Correspondent

THE NATIONAL Freight Corporation is to undertake a multi-million pound office *development on a 6-acre site in* the centre of Cardiff.

The corporation has put forward proposals – which it is understood are being favourably received by the planning authorities – to develop 250,000 sq ft of office space on the edge of the extensive Cardiff Bay redevelopment scheme, near Atlantic Wharf, at a cost of more than £10m.

Plans are being drawn up by Hoggett Lock-Necrews, the Cardiff-based firm of international architects. When the site is completed it is likely to contain up to five blocks which could provide work for as many as 4,000 people.

Mr Mark Stretton, of NFC, said yesterday that *"significant demand" for offices was emerging* in the Welsh capital, coupled with an acute shortage of space. The market in the city was "very active," with most recent schemes being pre-let.

The only other developments of a comparable size taking place in the city are Brent Walker's hotel and conference centre and a development by the Cardiff-based Bailey Group, the details of which have not been made public.

Over the past two years rents in Cardiff have been rising steadily. Two years ago the *£10-a-sq-ft barrier was breached* and the figure is now about £15 – pushing Cardiff close to the premium rates in Bristol.

NFC, one of the first of the companies to leave the public sector eight years ago, in a management-led buy-out, has been redeveloping many of its city centre sites. Next month it opens a 225,000 sq ft retail park in Leeds – Crown Point, undertaken with Norwich Union. It is also involved in joint ventures in London, for sites at King's Cross and Paddington main line stations.

Mr Terry Hoggett, joint chairman of Hoggett Lock-Necrews, said the Cardiff development would be a "much-needed addition" in the city. "The *market here* is now very active, indeed."

Decline in merchant fleet highlighted

THE decline in the UK merchant fleet is highlighted by a report showing that only one of the 34 merchant ships chartered for British military exercises last year was British.

The Commons Defence Committee report shows that vessels were chartered 34 times in 1988-89 but that 33 of them were for foreign ships, mainly Danish, Norwegian and West German. The committee warns that such exercises could be "severely undermined" unless British ships and seafarers are used.

The report, on the availability of merchant vessels for defence, said: "The involvement of British merchant vessels and their crews in appropriate UK and Nato exercises must be by far the most effective means of improving liaison and understanding between the two services."

It said the Government's confidence in merchant shipping was not justified. The report showed that:

● Manpower in the merchant navy is still falling;

● If merchant ships were required in an emergency large numbers of their officers and men would not be British;

● Cadet entry into the merchant navy continues to fall and even the present reduced levels cannot be maintained.

Defence Committee, Ninth Report, The Availability of Merchant Shipping for Defence Purposes. HMSO. £5.50.

Investors won't play in UK parks

David Churchill on why big leisure groups prefer France and Spain

WHEN Anheuser-Busch, the US brewer and operator of theme parks in Florida, last month announced plans to expand its leisure operations into Europe it chose a site just *outside Barcelona in Spain* to build a theme park combining a zoo and thrill rides.

The UK, with a poor climate *and expensive land values,* was apparently a non-starter for this inbound investment – as it was when the Walt Disney Company chose just outside Paris to build its Euro Disney theme park, due to open in 1992.

This lack of international confidence in theme parks in the UK reflects the City's own concern with investing in this leisure sector niche.

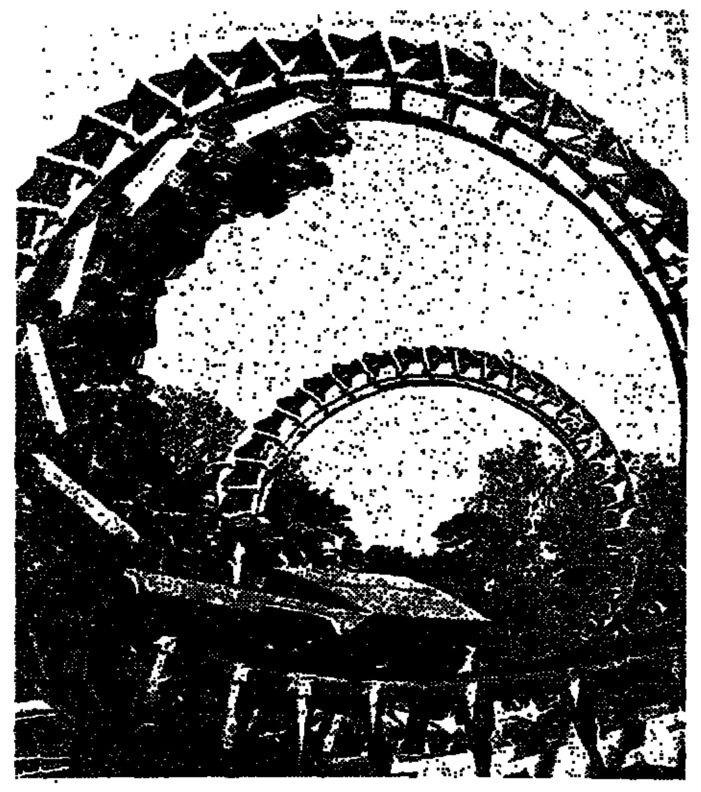
While successful parks have been established in the UK and are flourishing – Alton Towers in Staffordshire, *for example, and the Chessington World* of Adventures – City investors have fought shy of pouring funds into a business which appears unduly subject to the fickleness of fashion.

Many remember only too well the experience of Britannia Park, a US-style theme park, which opened on a reclaimed opencast coal site in Derbyshire in the early summer of 1985. At that time it seemed to herald a new generation of leisure development in the UK.

Three months later, Britannia *Park was forced to close* with debts of some £9m – a victim of poor weather and construction delays which failed to lure the expected thousands of day-trippers on to its thrill rides.

Britannia Park's demise was perhaps an omen for the British theme park business in the late 1980s. The two most ambitious UK leisure developments in recent years – at Battersea in south London and Corby in Northamptonshire – have both in recent months run into the sort of funding difficulties which have dogged the leisure sector this decade.

The Battersea project, a £200m theme park based in London on the site of a disused power station, ran out of funds in the spring of this year. It was rescued last month when Mr John Broome, the founder of both Alton Towers and the Battersea development, linked up with property developer Mr



The corkscrew ride at flourishing Alton Towers

Paul Bloomfield to form a company with assets of £600m called Alton International to develop both sites.

At Corby in Northamptonshire, the £400m WonderWorld theme park being built on a *former British Steel opencast* mine has been dogged with funding difficulties, to such an extent since its concept was first mooted in the mid-1970s that it has been dubbed "Wonder When?" by sceptical City analysts.

However, the venture is now on firmer footing following the injection of funds recently by a group of private investors and Bouygues, the French construction group which is to build the park.

The term theme park originated in the US in 1955 with the opening of Disneyland in California by the late Walt Disney. He wanted to create a leisure concept far different from the rather shabby amusement parks of the post-war era.

Since then, it has come to mean a large leisure park incorporating rides or amusements grouped in areas or themes, such as the Wild West or Medieval England.

The most popular attractions are what are euphemistically known as "white-knuckle" rides – those spiralling roller-coasters which defy gravity and involve terrifying drops, curves, or loops.

The Disney theme parks in California, Florida and Tokyo, however, favour rides involving audio-animatronic characters rather than simple thrill rides.

Mintel, the market research company, says that the attraction of theme and leisure parks is that they cater for the whole family, although appealing primarily to teenagers and young families with children aged between five and 12. In socio-economic terms, theme park visitors are primarily in the C1 and C2 classifications.

The economics of most UK parks are based on the Disney concept of a one-admission price which enables the visitor to sample all the attractions at no extra cost.

Admission prices range between £4 and £8, with £5 being the average according to Mintel. Mr Michael Herbert, chief executive of the Tussauds Group which owns Chessington World of Adventures (part of the Pearson group, owner of the Financial Times), says that admission charges account for about 60 per cent of theme park revenue.

Catering adds a further 20 per cent, with the balance coming from merchandising and other revenues.

The main cost, not surprisingly, is labour since it is essential for a park's success for it to be safe and clean at all times.

"The typical theme park visitor to Chessington spends about six hours in the park, compared to an average of 1.5 hours at Madame Tussauds in central London," points out Mr Herbert.

Admissions to UK theme parks totalled about 7m last year (with some 12 per cent of visitors from outside the UK) with a further 20m admissions to leisure or amusement parks such as the Blackpool Pleasure Beach.

Although Mintel estimates that there are some 22 theme and amusement parks in the UK, the big "pure" theme parks (as opposed to amusement parks) are: Alton Towers, with 2.5m visitors last year; Chessington, with 1.18m visitors; Thorpe Park in Surrey with just over 1m last year; and Pleasurewood Hills park in Suffolk with some 534,000 visitors.

By comparison, the WonderWorld project is hoping for 4m *visitors* a year when the park finally opens.

Mr Bob Tyrell, managing director of the Henley Centre *for Forecasting*, believes that the problem with UK theme parks is that they are under-exploited. "In the US, for example, *merchandising* accounts for a much higher proportion of revenues than it does in the UK," he says.

Ms Sandra Mason, a partner in the Suffolk-based research company Leisure Consultants, also believes that there is a need to follow the US approach of continually upgrading the attractions to bring in repeat business. "There are new trends emerging, such as 'hands-on' learning experiences which need to be exploited," she adds.

Yet the difficulties faced by UK theme parks seem out of step with developments elsewhere in Europe where such ventures are *flourishing.*

UK NEWS

Government yields on N-plant sales

By Maurice Samuelson

THE Government yesterday withdrew Britain's seven oldest nuclear power stations from sale under the electricity privatisation programme.

With only days left before electricity privatisation completes its passage through Parliament, Mr Cecil Parkinson, Energy Secretary, astonished the House of Commons by saying that the assets and liabilities of the Magnox stations – which are approaching the end of their 30-year-old lives, but which last year supplied two-thirds of the UK's nuclear output – would remain under government control.

Referring to their impending decommissioning costs – the last Magnox is due to shut in 2002 – he said: "This Government does not believe that this legacy of the past should be borne by the customers of the future."

His decision, which will not require a change in the Electricity Bill, applies to a Magnox plant in Scotland as well as those in England and Wales run by the Central Electricity Generating Board (CEGB).

It was taken because of mounting evidence that inclusion of the nuclear plants in the sell-off, especially the older ones, could seriously threaten the success of privatisation.

Last week, stockbrokers UBS Phillips & Drew estimated that the cost of decommissioning the Magnox plants would range from £2.5bn to £12bn.

Mr Tony Blair, Labour's energy spokesman, accused the Government of an "ignominious" retreat and a "humiliating farce." Friends of the Earth, the environmentalist group, said it was "a panic reaction" and would to fail to convince potential investors.

Mr John Baker, chief executive designate of National Power, the company which was to have inherited all of the CEGB's nuclear power stations, said: "We welcome the Government's decision which recognises the force of arguments which the company had been putting for some time."

He said he would start discussions with the Government about how best to implement the decision.

The South of Scotland Electricity Board, which has already ordered the closure of one Magnox plant, said it was pleased that the Government had clarified how the decommissioning costs would be treated and that they would not be transferred to future customers.

National Power's preferred solution is likely to be the setting up of a separate government-owned company for Magnox reactors which it would manage. This would enable the engineering and safety teams to share responsibility for the Magnox reactors alongside the newer advanced gas-cooled reactors (AGRs).

Mr Parkinson's statement appears to represent a compromise between those in the Government who had urged that all nuclear stations should be dropped from the electricity sell-off and those, including the Energy Secretary, who wanted to leave the privatisation plans intact.

Railway stoppage to go ahead despite discontent within union

By Fiona Thompson and John Arlidge

SUPPORT for tomorrow's sixth 24-hour strike in seven weeks by the National Union of Railwaymen looks likely to remain solid despite face-to-face appeals by management for key workers to work normally.

Many rail workers are making it clear, however, that this is the last stoppage they will back.

British Rail privately admitted last night that, despite its weekend appeal, several key people would probably remain loyal to the union, and only the odd train would run tomorrow.

Mr Jimmy Knapp, general secretary of the National Union of Railwaymen (NUR), said that reports coming to the union's headquarters indicated that support would remain solid.

But he did admit that the union had received calls from branches and individual members asking the executive to rethink its decision of last week to continue the strike action.

The NUR executive voted last Monday night by 12 to eight to continue the action for higher pay and an agreement on collective bargaining, disregarding a plea from Mr Knapp to suspend the strikes pending further talks with the conciliation service, Acas.

The NUR has been out on its own since the Aslef train drivers' union and the TSSA white collar rail union decided to accept BR's revised 8.8 per cent pay offer.

The drivers and TSSA booking clerks and supervisors will work normally tomorrow, but BR cannot run trains without the NUR's signalmen and guards. They have been the main targets of BR's campaign for a return to work, with offers of taxis to get to work.

In the south-east, where extra allowances will boost the 8.8 per cent offer to between 10 and 15 per cent, is regarded as the key area.

Indications are growing that while NUR members are prepared to obey tomorrow's strike call, there is a question mark beyond that.

A tally of rail workers at three stations in London showed that many were reluctant to support further action. "If there's another strike next week I don't think people will obey," said one rail worker.

Privately, union officials at one London station admit that, for the first time, support for the strike is in doubt. "A number of people want to accept," said a branch official. "There is an opinion that we should accept the offer and go back to Acas for more talks on pay bargaining. If the talks fail we can always have another strike."

Dockers in two ports vote to stay on strike

By Michael Smith

SPECULATION that the national docks strike was on the verge of collapse proved ill-founded yesterday when dockers in Southampton, in the south, and Hull, on the east coast, voted overwhelmingly to stay out.

Port employers said the votes merely delayed the inevitable and are optimistic that mass meetings later in the week or early next week at both ports may reverse the decisions.

A change of stance seems likely in Southampton. The port's 480 dockers voted to remain on strike yesterday only after hearing that their representatives will argue strongly at a national dockers' meeting on Friday that the strike, now entering its third week, should be brought to an early end.

The Southampton men will meet again on Saturday, when there will be strong pressure for a return to work even if the national meeting the day before has voted to carry on with the strike.

The Hull dockers plan to meet again on Thursday to instruct their representatives how to vote the next day. Again, there will be strong pressure for a return to work.

Yesterday's decisions were welcomed by Mr John Connolly, TGWU national docks' secretary, who predicted that both Hull and Southampton would remain on strike after their representatives listened to the views of other dockers.

The National Association of Port Employers (Nape) said that dockers in two more ports – North Shields, north-east England, and Ardrossan in Scotland – returned to work yesterday, bringing the number of ports working normally to 31 out of 60.

The TGWU countered that many of the ports were tiny and were only partially running. It said there were 5,605 still on strike, against 1,457 back at work. The rest of the 9,221 dockers who had been registered under the Docks Labour Sheme at the start of action had taken redundancy. The abolition of the scheme, which regulated employment and conditions in most British ports, sparked the strike last month.

Mr Connolly pointed out that the larger ports, such as Liverpool and Bristol on the east coast, remained strike-bound. Support for the union was also growing in continental Europe. Rotterdam dockers yesterday refused to unload a ship which had been loaded in Immingham.

Exasperated rail workers wait for signal to return

Fiona Thompson finds that many NUR members are disenchanted with the seven week strike

We're ready to go back," said a railman, tramping sacks into the baggage car in the heat of a southern English station yesterday. "In fact, we were ready to go back last week. The 8.8 per cent plus allowances will be worth it."

This sentiment, if translated into action by rail workers throughout the country, would bring great relief to British Rail but not a little anguish to the National Union of Railwaymen, which has called out its members for a sixth, 24-hour strike tomorrow.

Both sides are battling to win the public relations war in their long running dispute – BR claiming its soundings over the weekend showed "very large numbers" of NUR members who want to come to work on Wednesday; the NUR that support among its members for the strike remains solid.

To the NUR, support in the south-east heartland is crucial. If that crumbles, then the rest of the country would not be far behind. A trip down the line to Southampton and back talking to NUR members would not bolster the union's confidence.

Asked a direct question, most NUR members said they would not come in tomorrow. But they are clearly exasperated by the lengthy dispute and want it over, quickly. They do not want to face this quandary again next week.

"I will not work this week, but if a load (of others) do next week, I certainly will," said a second Southampton railman. "The union should have accepted the pay offer and given BR a few months to sort out the bargaining issue."

The men's supervisor has offered to collect them in his van tomorrow morning if they decide to work. He does not yet know how many takers he will have.

The NUR's strike ballot was on the dual issues of pay and changes to bargaining machinery. "We voted on both issues and I think both issues should be resolved before the strike ends," said a guard on the train, based at Woking. "I would be willing to stay out until we have got something concrete on bargaining on paper."

Working for British Rail means "lousy hours for lousy pay", said the guard who regularly clocks up 10 hour a day, six days a week. However, he does not reckon support for the strike will remain solid. "It will be split this week. The younger ones, with the mortgages, will be the first to go back. If quite a few people come in tomorrow, the NUR will have to rethink its position," he said.

A young leading railman at Basingstoke agrees. "We are fighting two battles instead of one. I think we should accept the pay offer now and deal with bargaining later."

This man earns a basic £111.95, which leaves him take home pay of about £90 a week. "We are fighting for a decent wage, but I can't see us getting any more money."

A guard with 20 years service, based in Bournemouth, sees the issue as one of principle. "We do not want to accept the changes to national bargaining. Men don't go on strike for 1 per cent, it's not bloody worth it." But he reckons people will "start to drift back if BR does not agree to more talks on bargaining."

Losing one day's pay every week for five weeks has made a tight existence even tighter. And now that the Aslef train drivers and TSSA clerks and supervisors have accepted the offer, the solidarity that kept up the momentum is on the wane.

"Two unions have accepted, we should too," said a trackman at Clapham Junction with 37 years service. "It doesn't make sense not to."

While holding out little hope of many people coming in to work at Clapham Junction tomorrow - pickets will be at both entrances - he said this week's strike will be the last. "People won't come out next week."

UK savings fall with holiday withdrawals

By Eric Short

INVESTORS withdrew a net £153m from their building society holdings last month, the first monthly net outflow of such savings for almost three years, according to figures released yesterday by the Building Societies Association.

A drop in building society investment is normally expected at this time of the year as investors withdraw money from the UK savings institutions to meet holiday expenses.

Mr Mark Boleat, director general of the association, estimates that net receipts in June fell by more than £500m because of people withdrawing money for holidays.

This has not, however, resulted in a net outflow in previous summer months. Net receipts in June of last year were £1.24bn at a time when the societies were benefiting from investors' panic in the wake of the October 1987 stock market crash.

The other special factor last month was the Abbey National Building Society flotation, which led to withdrawals for share purchases. The association would not be more specific on the amounts withdrawn.

The drop is a virtual repeat of events in September 1986 – the last time the societies experienced a net outflow – when investors withdrew cash to finance the TSB savings bank flotation.

Mr Boleat expects money to flow back into societies this month and predicted July will see a sharp net inflow.

This lack of savings is unlikely to cause societies any problems with their lending.

Net new mortgage commitments in June amounted to £4.9bn, slightly up on May's figure of £4.5bn.

Mortgage commitments normally rise strongly in the spring and early summer, but June's commitments are well down on last year. New mortgage commitments in the second quarter of this year amounted to £13.7bn compared with £15.7bn in the second quarter of last year.

GPT plans radical employment changes

By Michael Smith, Labour Staff

GPT, the telecommunications joint venture owned by GEC and Plessey, is seeking to become one of the first UK companies to introduce performance-related pay among manual workers.

In a radical shake-up of work practices and conditions at its Beeston, Nottingham, plant, it also intends to offer a 37½-hour week for virtually all staff. The norm for blue collar workers in manufacturing is 39 hours.

GPT expects the Beeston programme to be a forerunner for similar schemes in the joint venture's other factories. Through it, the company would:

- Replace seven existing grade structures with a single integrated system.
- Relate pay progression to an individual's performance or skills.
- Introduce single status conditions for all employees and abolish distinctions between blue and white collar staff.
- Erode job demarcations by increasing job flexibility, and encourage greater teamwork.
- Launch an employee dividend plan to enable all staff to take a share in the company's profits.

Mr Bill Carr, personnel director for GPT's business systems group, said he hoped that the scheme, called the Business Improvement Plan, would win the 3,200-strong workforce's approval this summer.

However, Mr Dave de Lacy, works convener, said union members were unhappy with some of the proposals, particularly on demarcation and performance-related pay.

The plan also faces problems because of a national campaign by engineering workers for a shorter working week. Although many at GPT work a 39-hour week, and so would work 1¼ hours less a week under the plan, the campaign specifies reductions have already been earned through increased productivity and should be agreed without making more concessions.

Plan for Channel car ferry cartel will be probed

By David Churchill, Leisure Industries Correspondent

A PROPOSED pricing cartel on cross-channel car ferry services is to be investigated by the Monopolies and Mergers Commission, the Office of Fair Trading announced yesterday.

The investigation, due to be completed in four months, will determine whether the leading car ferry companies should be allowed to offer a joint service on tickets and prices, in response to the threat to their operations posed by the Channel tunnel when it opens in 1993.

P & O European Ferries and British Ferries Sealink, which have an estimated 80 per cent share of the short-route ferry services to the Continent between them, asked the OFT earlier this year if they could operate such a cartel.

It would mean both companies operating a shuttle service to the continental ports of Boulogne, Calais or Dunkirk with similar fares and interchangeable tickets.

Both ferry companies are at present prevented from offering a joint service without the Government's permission by undertakings they gave following a monopoly investigation into ferry services carried out in the early 1970s. This investigation recommended a series of measures to help maintain competition on cross-channel services.

However, the ferry companies argue that the introduction of competition from the Channel tunnel means the undertakings given in the early 1970s should be reviewed.

Sir Gordon Borrie, director general of fair trading, said yesterday that the issue raised important questions of public interest.

"Clearly the proposal will reduce competition in the period before the tunnel begins operations, and that could be detrimental to users," he said. "On the other hand, I am anxious that when the tunnel does come into operation, it should face effective competition from the ferries."

It is understood that both ferry operators are prepared to give undertakings to the OFT that tariffs would not be raised by more than the rate of inflation in advance of the opening of the tunnel.

Both companies last night welcomed the decision for a swift review of the issue by the commission.

Correction

Fimpar SpA

A REPORT in the Financial Times on July 17 of the disruption caused by the French air traffic control engineers' strike said that the Spanish private airline Hispania, which had ceased trading, had been under the majority control of the Italian tourism company, Fimpar, since last year.

We have since been advised that Fimpar has never had control or any interest in Hispania.

It was engaged in negotiations last year but withdrew before acquiring or paying for any Hispania shares.

We regret any embarrassment caused by the error.

MPs criticise delays in establishment of agencies

By John Hunt, Environment Correspondent

THE PROGRAMME to hive off Government organisations as semi-independent agencies is proceeding too slowly and should be speeded up, according to the all-party Commons Treasury and Civil Service Committee.

It is disappointed that neither the Customs and Excise nor the Inland Revenue have been proposed for agency status.

In a report published yesterday the committee said so far only eight agencies had been established under the Next Steps programme, compared with the estimate by Mr Peter Kemp, the project's manager, of 16 by April this year.

A further 30 are under consideration, with a total of 200,000 staff. So far agencies employ 6,910 staff out of a total Civil Service of 572,000.

The aim of the agencies is to provide more efficient and cost-effective government services.

But in many instances the committee finds the rate of progress disappointing.

The Treasury told the committee that it had been right to take time in establishing the first agencies because there were a number of problems of government organisation.

The committee criticised the Home Office because no formal decision had been taken on whether the Passport Department should become an agency even though this would be possible by 1991.

The Department of the Environment was criticised for deferring the launch date for Historic Royal Palaces and failing to set a target date for the Planning Inspectorate.

Although the Driver Vehicle Licensing Directorate was one of the first candidates, it is not expected to become an agency until April next year.

Treasury and Civil Service Committee, fifth report, Developments in the Next Steps Programme, (HC 348)

House sales face new problem of gazundering

By Andrew Taylor, Construction Correspondent

HOUSE SELLERS desperate to sell their homes are increasingly facing problems of "gazundering" or reverse-gazumping, according to a national survey of estate agents.

The gazunderer waits until contracts are about to be exchanged before threatening to pull out of the sale unless the price agreed is cut substantially. The seller, who often has other financial commitments, has no option but to submit.

The practice is the reverse of gazumping, whereby sellers agree a sale price then at the last minute accept a higher offer from a rival bidder.

Estate agents, replying to a survey by the Royal Institution of Chartered Surveyors published yesterday, said purchasers were in a position to drive a hard bargain. Sales were about half the level of a year ago.

Examples of gazundering included:

● A Suffolk family agreed to sell a house for £225,000. A week before contracts were to be exchanged the buyer demanded the price be cut to £200,000. The family refused. It eventually exchanged contracts 10 weeks later with another buyer at £200,000.

● An Essex family agreed to sell its five-bedroom home for £425,000 but was forced to accept a last minute cut to £400,000 when the buyer refused to exchange contracts. The family, already committed to another house, had no choice but to accept.

● A housebuilder in Norfolk, which had accepted an offer of £225,000, has received a letter from the purchaser's solicitor suggesting the price be reduced by a tenth. The builder has borrowed money to complete the development and is in a very difficult position, said Mr Michael Jackson of estate agent Jacksons-Stops & Staff.

● In the West Midlands the purchase price of £210,000 for a barn agreed at the beginning of May was cut at the buyer's insistence to £190,000. The seller, with no other buyers in sight, was forced to accede.

● An elderly widower in Leicester agreed to sell his two-bedroom bungalow for £120,000 before moving into a nursing home. The buyer then tried to reduce the price to £100,000. The bungalow was eventually sold for £110,000.

The institution said 60 per cent of agents questioned last month said prices had fallen in the previous three months.

In Greater London, 88 per cent of agents said prices had fallen. Asking prices in London and south-east England had been reduced by between 5 per cent and 20 per cent; in the *East Midlands* by 10 per cent to 15 per cent; by 5 per cent to 10 per cent in East Anglia and by up to £30,000 a home in the West Midlands, said the institution.

Troublesome nuclear assets force government change of heart

Retiring the Magnox workhorses

BACK IN 1975, a former chairman of the Central Electricity Generating Board referred to the Magnox reactors as "workhorses."

He was making the point that even though his newer advanced gas-cooled reactors (AGR) were still producing no power, several years after they were first scheduled to come into service, he was satisfied with the performance of his first-generation nuclear stations.

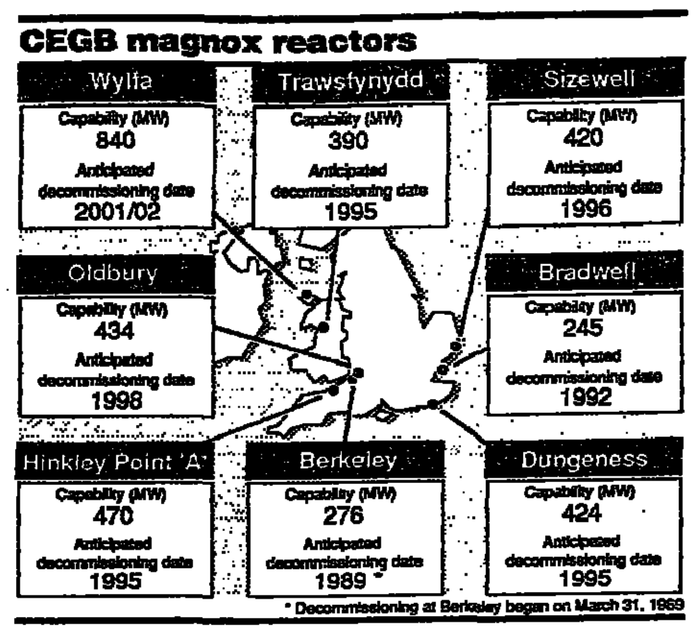
The Magnox reactors were invented in Britain by nuclear scientists with the Ministry of Supply, who in 1955 formed the UK Atomic Energy Authority. The same year an energy white paper announced a programme of 5,000 MW of nuclear power based on the design used for Calder Hall's four 50 MW reactors required to make plutonium for nuclear weapons.

For the Conservative Government of the day, nuclear power was the only credible alternative to total dependence on coal. The white paper said nuclear power would be more expensive than coal, but the difference – an old ha'penny a unit – was offset by assigning a value to the plutonium by-product made by civil nuclear reactor.

In 1956 Christopher Hinton, who had built Calder Hall, was made responsible for building a series of Magnox nuclear stations, so-called because of the all-important alloy used to sheath its uranium fuel.

Industry – at one stage five competing industrial consortia – was invited to tender designs for nine pairs of nuclear reactors that rose rapidly in output as the series progressed, from 138 MW at Berkeley and Bradwell to 590MW at Wylfa. By the end of the 1960s, nine Magnox stations were working in England, Scotland and Wales.

In 1969, however, the Magnox system suffered a serious setback when its carbon dioxide gas coolant was found to be corroding steel structures and bolts in the reactors. To slow the corrosion, all but the Berkeley station were de-rated, with an overall loss of 1,500 of the 5,000 MW of design capacity. At the time the UK AEA was optimistic that many of the lost megawatts might be recovered, perhaps by finding a corrosion inhibitor. It never happened, however.



From the start, Magnox fuel was intended to be reprocessed by the techniques already developed to extract plutonium for military use. Reprocessing was planned as a continuous process, carried out at the Windscale (now Sellafield) factory, in Cumbria.

In 1973 the Government's chief nuclear inspector ordered that reprocessing must cease until the factory had more capacity to store its waste products. The delay in getting new plant built left spent Magnox fuel corroding under water, and a legacy of expensive problems for the newly-created British Nuclear Fuels.

These difficulties launched nuclear fuel reprocessing into the public arena, as anti-nuclear campaigners recognised that they could halt Magnox reactor operations if they could prevent reprocessing of its fuel. It took BNFL two years to sort out its Magnox reprocessing problems, and the cost of reprocessing rose sharply. This was passed on to the electricity supply industry under cost-plus contracts with BNFL. But in the 1970s reprocessing was still a negligible part of total nuclear electricity costs.

The Magnox reactors were originally designed for a life of 20-25 years. The first, at Bradwell and Berkeley, came into service in 1962. As they approached 20 years, the Nuclear Installations Inspectorate – part of the Health and Safety Executive – made increasingly heavy demands they be shown to be still safe.

Last year, the CEGB announced that it no longer could justify the refurbishment of its Berkeley station to meet the safety demands. The South of Scotland Electricity Board has since announced that it is closing its Hunterston A Magnox station in Ayrshire.

All the commercial Magnox stations are expected to be closed down by the end of the 1990s, although reprocessing of the remaining fuel will add another five years to the date of the last shut-down. National Power sees the series of four British pressurised water reactors, based on the Sizewell B design, totalling about 4,600 MW of new capacity by the end of the century, as replacing the Magnox workhorses which will have served for 25-30 years.

David Fishlock

Old reactors hinder sell-off plans

THE Government's ambitions to privatise the electricity industry have been dogged from the beginning by what to do about nuclear power and particularly about ownership of the eight elderly Magnox stations.

The design of the Magnox plants, which was heavily influenced by the military need to produce plutonium, did not lend itself to efficient de-commissioning. This was a problem which the Central Electricity Generating Board minimised in financial and engineering terms until it was on the brink of the private sector.

Then suddenly its bankers and advisers started to take fright at the huge uncertainties surrounding the issue. They demanded to see "worst case" scenarios and started to look with a very critical eye at some of the CEGB's long-standing assumptions about how the job would be done.

The results showed that on some quite plausible assumptions, the cost of decommissioning Magnox stations was so large that the net asset value of the whole of the CEGB's nuclear plant, including the newer Advanced Gas-cooled Reactors came out to be a negative number with nine noughts after it. How do you privatise an asset with a negative worth of about £1bn?

Short of paying investors to take it away, the conventional answer was that a nuclear levy to be charged against the sale of all power made from fossil fuels could square the books.

Unfortunately, in the negotiations this summer between the CEGB and the 12 area boards (which will become private distribution companies) it became clear that the levy could not be set at a high enough figure to make the Magnox reactors saleable. One reason was that the decommissioning costs were so uncertain and potentially so large, that a levy of 15, 20 or even 30 per cent might have to be envisaged, and this would have a highly distorting effect on the market.

One of the less attractive consequences, politically, would have been that electricity prices for the largest users of this power by the company is subsidised rates, to new market rate subject to a stiff "nuclear tax."

The steep rise in recent estimates of decommissioning costs arises from four main causes:

● New estimates of the technical difficulties of the first stage of de-commissioning after they are closed. This involves removal of the active nuclear fuel, battening down and making safe so that the radioactive centre of the reactor can be left to "cool off" for perhaps a century. Previous estimates for the first stage of de-commissioning Berkely, the first to be shut down, were about £30m. Official estimates now run closer to £200m.

● Uncertainties about the cost of final de-commissioning after 100 years, when the complete reactor would probably be dismantled.

● Uncertainties whether the industry will be allowed to put off the task for 100 years. If it were done after 20 years the cost would be much higher because the radioactivity would not have had so much time to die down. More important, the cost in present day terms would be much higher, because any sum set aside for de-commissioning today would be earning compound interest for only 25 years instead of 100.

● Sharply increased estimates of the eventual de-commissioning of plants owned by British Nuclear Fuels Limited (BNFL) for reprocessing spent radioactive materials. These appear to have risen by £3bn to £5bn according to unpublished estimates.

The argument about how long ultimate de-commissioning can be deferred has been particularly distressing to bankers advising on the sale because of the huge financial implications of uncertainties.

For example if the final demolition of a Magnox reactor were to cost £500m (a figure which now looks plausible), the sum which would now have to be set aside, assuming compound interest at 2 per cent a year, for a hundred years would be only £69m.

However, if the de-commissioning were completed in 20 years, the sum needed to be set aside in advance would be three times higher.

In practice the exact figures are less important than the uncertainties.

The broker UBS Phillips & Drew, for example, has estimated that the de-commissioning bill by the end of the century could be £15bn, or 30 per cent more than the present book value of all the nuclear assets put together.

The CEGB traditionally has been calm about de-commissioning risks at least in part because, as a public sector body, it did not need to estimate the risks in advance.

The public sector can absorb such risks without the fear of bankruptcy, which is why advisers have been saying nuclear power should naturally belongs in the state, and why, at a remarkably late stage in the privatisation negotiations, Mrs Thatcher's Government has partly agreed.

Max Wilkinson

Poor maths teaching in primary schools

By David Thomas, Education Correspondent

A QUARTER of English primary schools teach mathematics badly, a report from the schools' inspectorate, the official watchdogs of school standards, has concluded.

The report, published yesterday, was based on an inspection of 285 primary schools carried out between 1982 and 1988.

It follows a number of international studies which have pointed to low standards of maths among British pupils compared to their counterparts in other advanced industrialised nations.

The inspectors found some aspects of the teaching of maths to be good in a third of primary schools, while it was adequate overall in three quarters.

However, the inspectors point to "considerable unevenness" even in those schools where performance was on balance satisfactory.

Many primary schools failed to relate their teaching of maths to day-to-day realities or challenge children of high maths ability.

While the inspectors noted some evidence of improvements in standards of primary maths since the late 1970s, they added that "the modest nature of the improvement leaves no room for complacency."

Part of the problem appears to lie in a lack of qualified maths teachers. Only 4 per cent of primary teachers had their main qualification in maths.

Most schools were also failing to use new technology such as computers to improve their mathematical teaching.

The inspectors found that most schools devoted adequate time to teaching maths, but pointed to patchy concentration on the various skills which make up an effective grasp of maths.

Aspects of Primary Education: The Teaching and Learning of Maths. HMSO. £4.95

Thames bridge plans changed

By Andrew Taylor

PROPOSALS to build a bridge across the River Thames have been modified to avoid interfering with jets using the nearby London City Airport, the Government announced yesterday.

The bridge, called the East London River Crossing and planned to open in the mid-1990s, would carry three lanes of traffic in each direction from the A13 at Beckton on the north bank and the A2 at Falconwood in south-east London.

MPs were told in the Commons yesterday that plans for a box girder bridge had replaced a proposal to build cable-stayed bridge with twin high-rise piers.

Mowlem, the construction group which owns the airport, had said the bridge's height would have interfered with jets using the airfield.

HP responds to the new terrorism

Christopher Parkes on public management of food tampering cases

HP FOODS had been planning to wait until September, after the holiday season, before it ran through a routine dry run of its "incident management" programme. But holidays had to be postponed and rehearsal became the real thing at the weekend, following the discovery of pieces of glass in several cans of its baked beans.

By late on Sunday the eight-strong team, involving HP's managing director, top production and technical executives, senior members of the field sales force, representatives from administration, and the public relations man, had completed their work.

● Consumers had been alerted through the media, which had picked up a warning story issued by the company through the Press Association.

● The police had been told.

● The suspect batch had been identified, the date and time of canning were known to within five minutes, and all cans were recalled from stores and warehouses.

● The cannery at North Walsham, Norfolk had been scoured for evidence and the production line was lying in pieces on the factory floor.

Yesterday morning HP issued its final statement. The contamination with pieces of glass from a jam jar and a small bottle could not have happened during the normal production process, it said.

"Our conclusion is, therefore, that this is a deliberate action and the Norfolk police have taken over the investigation," said Mr Nigel Worne, managing director.

Away from the spotlight of media attention most of the 240 North Walsham workers will endure the stress and unpleasantness of being interviewed by the police. The company faces the task of counting losses, restoring consumer confidence in HP beans, and absorbing any lessons from the past days' events.

By recent standards HP's crisis was a relatively clear-cut affair: there was no attempt at extortion, all the affected cans were in the same batch, and there was no evidence that consumers themselves were doctoring the product, as was the case in other recent food scares.

However, the case adds to the mounting body of evidence which shows that product contamination is a blight feeding upon itself. In the US, where health officials have dubbed it "the new terrorism," the number of cases of product tampering reported to the police and Food and Drug Administration rose from 120 in 1985 to 1,720 in 1986. Britain, where the occasional case has been the recent norm, has seen half a dozen in the past six months.

Progressing in a complex, exponential fashion, the new terrorism has confronted British manufacturers and consumers with a dilemma infinitely less susceptible to resolution than any difficulties with salmonella and other bacteria.

Contamination comes in many guises. The most common is the blackmail attempt, when a criminal either threatens or actually tampers with products for gain.

Cranks also play their part, along with people bearing grudges against a company. Some instances may be simple hoaxes, and others may be "copycat" occurences perpetrated by consumers either in the simple-minded hope of gaining compensation or without any reason at all.

Whatever the source of, or reason for, a particular case, *according to Ms Shane Russell,* a UK specialist in incident management, companies must formulate policies and management tactics with two prime aims: consumer protection and minimising or avoiding commercial damage.

Ms Russell cited a case in the US in 1986 in which a prominent food company found itself the subject of an unsubstantiated tampering scare which had started when a consumer called a TV station claiming she had found glass in a jar of babyfood. Other claims followed but since no evidence of tampering was found, the company decided not to withdraw its product. It chose to counter the threat by publishing the evidence and increasing promotion.

Due largely to indignant press reaction to their stance, the incident cost the manufacturer 14 percentage points of market share.

"The nature of these incidents attracts enormous publicity and a positive, planned response by the company is essential if commercial damage through loss of consumer confidence is to be avoided," Ms Russell said in a recent study. Short-term losses might be inevitable, but they could be contained by companies' observing two principles:

● They should assume that the worst was going to happen and should plan accordingly.

● *They should always be seen* to be acting in an honest and caring fashion with the interests of the public uppermost.

The case of Heinz, which was at the centre of April's babyfood scare in the UK, offered many lessons, Ms Shane said. Prevarication, confusion, and police recommendations that the company be "circumspect with the truth," led to a welter of adverse comment in the popular press.

Product Contamination – a guide to incident management. Horton Publishing, 6 Southbrook Terrace, Great Horton, Bradford, W. Yorkshire BD7 1AB. £250.

J SAINSBURY yesterday withdrew from sale its entire stock of an own-label bean product after a London woman claimed she had found a piece of glass in a can.

Earlier police had been called in to an HP Foods Norfolk canning factory to investigate the source of glass found in six cans of HP baked beans at the weekend.

The withdrawal of mixed beans in spicy pepper sauce by Sainsbury, one of Britain's largest food retailers, followed an internal investigation at HP during the weekend which suggested that the glass in its beans was introduced deliberately during processing.

It is understood that the two cases are not connected.

There have now been six reported instances of suspected food contamination in the past few months.

HP said yesterday that following the discovery of glass fragments in six $15\frac{1}{2}$oz tins of baked beans in Barnsley, Yorkshire, it was "generally agreed that it could not have happened during the normal process of production and therefore we must assume it was deliberately placed."

The company had not received any blackmail demands.

FS members will vote on Britannia bid

By Eric Short

THE 46,000 with-profit policyholders in FS Assurance, the Scottish mutual life company, will receive £14m from the Britannia Building Society if they agree to the company's demutualisation and becoming a subsidiary of the society.

Of this amount £1.75m, representing the goodwill of the company, will be paid to policyholders as a bonus.

The remaining £12.25m, representing the embedded value of the company – the discounted value of the share of future profits which will be going to shareholders – will be retained in the policyholders' fund and received by them over the future duration of their contracts.

FS Assurance, one of the smallest traditional life companies in the UK, with estimated funds of £173.8m at the end of March, announced on March 7 its proposed merger with the Britannia Building Society, the UK's ninth-largest building society.

It said this would be done by switching from a mutual to a shareholder-owned life company, which would then be acquired by Britannia.

The intervening period has been spent drawing up terms of demutualisation and acquisition, which will be put to an extraordinary general meeting to take place in Glasgow on August 16.

If the scheme gains the necessary 75 per cent of eligible votes for approval the acquisition is scheduled to take place from the end of the year, when the company will be renamed Britannia Life.

Existing management, staff and head office location in Glasgow are to be retained.

'Cases justify' war crimes trials in UK

By Alan Pike, Social Affairs Correspondent

SUSPECTED WAR criminals from the Second World War now living in the UK should face trial in the British courts, a government-appointed inquiry recommended yesterday.

Sufficient evidence exists to support criminal proceedings for murder in some cases, the investigation by Sir Thomas Hetherington, the former Director of Public Prosecutions, and Mr William Chalmers, a former Crown Agent, has concluded.

"The cases we have investigated disclose horrific instances of mass-murders, and we do not consider that the lapse of time since the offences were committed, or the age of the offenders provide sufficient reason for taking no action in such cases," the report says.

It would require a change in British law to conduct trials related to allegations of war crimes which took place outside the country. Mr Douglas Hurd, the Home Secretary, told the Commons yesterday he was "impressed by the force of argument" which led the committee to its conclusion that the law should be changed. The issue will be debated in Parliament in the autumn before the Government takes a final decision on whether or not to bring forward a bill.

The inquiry was set up early last year to consider allegations that individuals who are now British citizens or resident in the UK committed war crimes in the Second World War, and to advise on whether the law should be changed to permit prosecutions.

Sir Thomas and Mr Chalmers say that in four out of seven cases which they have investigated in detail there would be a "realistic prospect of a conviction for murder."

Since they carried out their investigations one of the four has died, while a second had supplied medical evidence which suggested he might not be fit to stand trial.

The inquiry considered 301 allegations, some concerning more than one person. In addition to the four cases where it believes there is evidence to justify prosecution, the inquiry recommends further investigations in another 75 cases.

The cases considered by the inquiry concerned alleged crimes committed on what is now the territory of the Soviet Union, by people born in places that are now part of the Soviet Union.

The inquiry considered the possible extradition of suspects to stand trial in the Soviet Union but rejected this, opting instead for trial in the British courts with the accused being granted legal aid.

It could be argued, says the report, that there would be little point in attempting to punish old men who had lived peacefully in Britain for more than 40 years, and there would be considerable problems in bringing evidence before the courts. But say Sir Thomas and Mr Chalmers, "when weighed in the balance against the atrocities of which we have heard" these arguments were lacking.

"The crimes committed are so monstrous that they cannot be condoned, their prosecution could act as a deterrent to others in future wars. To take no action would taint the UK with the slur of being a haven for war criminals," they added.

Hurd awaits debate on trials of Nazis, Page 9

UK NEWS

Moves imply shift of emphasis

By Philip Stephens, Political Editor

MRS MARGARET Thatcher insisted last week that she would not respond to the mid-term slide in the Government's rating in the opinion polls by sacrificing long-term policies for short-term popularity.

However the radical restructuring of her Government announced yesterday marks an explicit acknowledgement by the Prime Minister that it was vital that the tone and presentation of its policies were completely reshaped.

Apart from the unexpected and spectacular promotion of Mr John Major to the post of Foreign Secretary, the Prime Minister brought new faces to virtually all the large departments of state as well to Conservative Central Office.

The instant view at Westminster last night was that the promotions of Mr Major, of Mr Kenneth Baker and of Mr Chris Patten means that, if the Government is not about to stage a U-turn, it looks set for a significant shift in emphasis.

If Mrs Thatcher's economic strategy has become accepted orthodoxy within the Conservative Party, the view of the world shared by the rising stars is less committed to her aggressively free-market philosophy than that of departing ministers such as Lord Young or Mr John Moore.

Nor can Mr Norman Lamont, promoted to the role of Chief Secretary to the Treasury, or Mr Peter Brooke, the new Northern Ireland Secretary, be described as ardent advocates of the Prime Minister's more radical policies.

Since 1979 the Cabinet could never have been said to be full of natural "Thatcherites," but the latest changes will tilt the political balance further towards the centre of the party.

The shift will be only partly offset by promotion for the loyalist and centre-right Mr John Gummer and expected advancements for those on the right in the lower and middle ministerial ranks.

The Prime Minister's most important task in the reshuffle was to signal that the Government was responding to growing concern among voters in a number of key areas – the quality of public services, particularly health and transport, the environment, and the impact of the poll tax.

"She has to demonstrate that her ideology will not prevent the Government from listening to the voters," one senior Conservative commented yesterday.

That need was underlined by Labour's comfortable victory in last month's European elections and by a growing perception at Westminster that Mr Neil Kinnock is at last shaping his party into an alternative Government.

There have been a number of recent signs that Mrs Thatcher is beginning to take on that message. Her reminder to Conservative backbench MPs last week of the need for the Government to stick with its policies was accompanied by what many regarded as an extraordinary comment on the health service.

The Prime Minister, who has been traditionally been a strong defender of private medicine, declared that once the Government's reforms of the NHS had been completed, no-one would want to pay for health care.

The Cabinet changes take the process further.

The approach of at Environment of Mr Patten, a reformed "wet" who has retained his acute sense of the Government's social responsibilities, is expected to bear little resemblance to the market-driven environmentalism of Mr Nicholas Ridley.

Mr John Major, as Foreign Secretary and a key figure in thge Government, is expected to bolster the Government's claim that it is looking forward into the 1990s as well as back into the 1980s.

Mr Baker, meanwhile, will at Central Office aim to present a an image of a gentler, more socially-aware, and less radical Conservatism in the run-up to the election due by mid-1992.

Senior ministers are under no illusion, however, that a change of faces in the Cabinet – even one which gives prominence to its best communicators – will necessarily solve the Government's problems.

The growing opposition to Mr Kenneth Clarke's plans for the NHS are being cited increasingly at Westminster as evidence that the Government can not rely solely on personalities.

Only 12 month's ago his appointment as Health Secretary was seen as a key element in Mrs Thatcher's efforts to improve the image of her policies for the NHS.

The unpopularity of measures such as the NHS reforms, water privatisation and the poll tax are likely to be reinforced by an impending squeeze in public spending.

More fundamentally, the Government's success or failure at the next general election will depend far more on its ability to deliver economic success than on which individuals running different departments.

The consensus among senior ministers is that unless the Government re-establishes its firm grip on inflation - and so leaves itself room for pre-election tax cuts and increases in public spending - its presentational efforts will count for little.

So the key job after yesterday's dramatic changes is still that of Mr Nigel Lawson who, in spite of his differences with Mrs Thatcher, will remain as her neighbour in Downing Street for at least another year.

'Wise young owl' comes of age at Agriculture

By Philip Rawstorne

THE BOY SCOUT enthusiasm of Mr John Selwyn Gummer, who enters the Cabinet as Minister of Agriculture, obscures his well-tried ministerial competence and political shrewdness.

Lord St John of Fawsley long ago concluded: "He is obviously a wise young owl."

Until he was transferred last year to Environment, he had served for three years as Minister of State for Agriculture.

Mr Gummer, 49, a former publisher, was elected to the Commons for Lewisham West in 1970, his third parliamentary campaign.

He lost the seat in 1974 but returned in 1979 as MP for Eye, and now sits for Suffolk Coastal.

A pro-marketeer and hard-working protégé of Mr Edward Heath, the former Prime Minister, Mr Gummer was a vice-chairman of the Conservative Party from 1972-74. Two years after his return to the Commons in 1979, he was appointed a Government whip.

His assiduity earned him a reputation as a "head prefect"; but by 1983 he had so successfully transformed his Heathite tendencies into Thatcherite loyalties that the Prime Minister took him into the government fold as junior Employment Minister.

Nine months later, Mrs Thatcher created a stir by promoting him to Minister of State and raising him from this still relative obscurity to be chairman of the Conservative Party in succession to Mr Cecil Parkinson.

Until he gave way to Mr Norman Tebbit in 1985, in preparation for the 1987 General Election, he appears to have handled the Central Office machine effectively, if not impressively, combining the task in the final year with the post of Paymaster-General.

The son of an Anglican clergyman, Mr Gummer has brought to Westminster what has been described as "a muscular Christianity."

He has been a member of the General Synod of the Church of England and active in church politics since 1979.

He was an early opponent of Mr Enoch Powell on immigration, but has adopted an anti-permissive stance on such questions as abortion.

A meteoric rise for Major

By Philip Stephens, Political Editor

MR JOHN MAJOR voices dismay when he is tipped as a potential successor to Mrs Margaret Thatcher.

The fate of other once-rising stars – notably Mr John Moore who was sacked yesterday as Social Services Secretary – has reinforced his natural caution.

But his spectacular promotion yesterday to the key post of Foreign Secretary will reinforce speculation at Westminster that the Prime Minister has now singled him out as her chosen successor.

It also marks one of the most meteoric rises within the Conservative Party in recent history. Aged 46 and a member of the 1979 intake at Westminster, he joined the Cabinet as Chief Secretary to the Treasury only two years ago, immediately after the 1987 election.

His success in that job – in balancing the Government's need to maintain a tight grip on the overall level of public spending with demands from the electorate for more resources in key areas – ensured him promotion.

But no-one up until yesterday evening believed that Mrs Thatcher would reward him so dramatically with the job of Foreign Secretary.

Mr Major is one of the more interesting – and likeable – among senior politicians at Westminster.

Most of his colleagues can be fairly easily stuck with one of the conventional labels – wet or dry, one-nation or Thatcherite – but the best one can offer for Mr Major is practical.

If he has become one of Westminster's best-known politicians, he has also remained one of its least-known personalities.

His humble background is in sharp contrast to the privileged upbringings enjoyed by most of his colleagues in the cabinet instead of Eton and Oxford, Mr Major looks back on a childhood in a rented flat in Brixton, spells in manual work and on the dole, a job with the Electricity Board, and a determination to enter politics – as a Conservative – from the tender age of 13.

He can also recount that his father was once a trapeze artist, that he made a name for himself at Standard Chartered under the tutelage of Lord Barber, and that someone once threw a rat at him at a public meeting.

The colourful past, however, has not brought forth a colourful politician: nor, apparently, a set of deep-rooted philosophical convictions other than those which might be loosely bracketed under the term Conservative.

He admits that he is not an intellectual and sees politics as "the art of the possible." He prefers, he adds, to "set out the things he believes in in concrete terms rather than in some 'quasi-visionary' way."

Mr Major is deeply enthusiastic about the Government's economic strategy – about the value of competition, private enterprise, and the market-place – and about its emphasis on individual freedom.

Those instincts, and his upbringing, have led to suggestions by colleagues such as Mr Norman Tebbit that he is a natural inheritor of the party's Thatcherite mantle.

But his natural friends are on the liberal wing, as are Mr Major's instincts on social policy. He finds no difficulty in combining determined calls for further reductions in the share of national income taken by public spending with the repeated assertion that "shoddy public services should not be an option."

The Government should privatise what it can, but where it maintains responsibility for a particular service it should make sure that it delivers what the consumer wants and needs.

Suave operator with a soft face

By Philip Stephens, Political Editor

MR KENNETH BAKER is used to plaudits. Regarded as one of the smoothest political operators at Westminster", he has since the 1987 general election consolidated his position as one of the leading contenders for the future Tory Party leadership.

That claim will have been dented yesterday by the dramatic promotion of Mr John Major to the Foreign Office, but Mr Baker's elevation to the Party Chairmanship will ensure that he remains a stronger contender for the title of heir-apparent.

His job for the next two or three years will be twofold – to ensure that the still-creaking machinery at Conservative Central Office is renewed so the party can run an effective campaign; and, much more importantly, to present, alongside the Prime Minister, the public face of the Tory Party.

If the Government's dismal performance in last month's European elections is any guide, both his organisational and his presentational talents will be much-needed.

Though the Conservatives were clearly hampered in that poll by the intervention of Mr Edward Heath and internal splits over their approach to Europe, the Labour Party underlined again the superiority in campaign techniques that it established in the last general election.

Labour managed at the outset to set the issues - the poll tax, water privatisation and the health service - on which the election was fought and, despite expensive advice and advertising, the Government was kept on the defensive.

Mr Baker will also have a much broader role: to present a softer image of the Government to meet growing public concern over the quality of public services and the environment.

As a cabinet minister since 1985 he has shaken off his close association in the early 1970s with Mr Heath, when he was the then Prime Minister's parliamentary private secretary. His spell at Environment, where he announced the replacement of domestic rates with the poll tax, and his radical reforms of the country's education system demonstrated that he was prepared to deliver the policies sought by Mrs Thatcher.

At 55, the suave and sophisticated Mr Baker is not, however, a natural Thatcherite ideologue.

His support for the Government's tight controls on public spending, for example, has often extended only in so far as they apply to departments run by other ministers.

Mr Baker's natural good looks and charm and his good television performances should re-assure jittery Conservative MPs that the Government will get across the message that it is responding to public concern over "quality of life" issues.

He is not, however, without his critics at Westminster.

A day of long knives and short talks

By Michael Cassell, Political Correspondent

IT WAS at precisely 2.30 pm that the priest arrived on the doorstep of Number 10. Events inside had clearly taken a nasty turn.

By now, it was five hours since Mrs Thatcher had embarked on her eleventh reshuffle, a job she is said to hate but which she somehow manages to struggle through with blood-chilling efficiency.

A member of the perspiring press corps, which was quickly growing more irreverent as the temperature soared, had already preferred to believe that the sound of a road drill outside the Cabinet Office was really machine gun fire.

His coup theory, on a day of wild surmise and extremely silly scenarios, had just been confirmed. Someone was clearly in need of last rites, an imaginative little interpretation which was almost immediately endorsed by the arrival of a policemen in a bullet-proof jacket and clutching a spray of summer flowers.

Peels of laughter from the open, first-floor windows put paid to the theory, though its original perpetrator insisted they merely supported it – Mr Nicholas Ridley had ducked and Mr John Gummer had stopped the bullet.

The whereabouts of Mr Peter Brooke, the party chairman, who was first to arrive on a day of long knives and short conversations, was still unaccounted for after lunch. Perhaps he was the lunch.

As Messrs Baker, Patten and Parkinson came and went, their arrival and departure times were logged, the length of their stay unquestionably indicating whether each was heading for oblivion or a nice black Daimler.

In the words of one battle-weary Downing Street veteran: "I counted them in and I counted them out."

The MPs' response to subtle questioning along the lines of "Have you been sacked, minister?" could generally be summed up as unhelpful. According to Mr John Butcher, on his way out as a junior Education minister: "It's a beautiful day – and that's official!"

Little signals led to big conclusions. In the middle of the drama, the Chancellor was swept away from Number 11, his own Daimler still wrapped around him and, therefore, set fare for another spell on the other side of the communicating door.

A portrait was ostentatiously removed from Number 12, the home of the Chief Whip. Unhelpfully turned away from prying eyes, it was obviously that of poor Mr David Waddington, the outgoing incumbent.

At 2.29 pm, Mr Michael Mates, the troublesome Tory MP for East Hampshire, strolled casually along the street, at once confirming a remarkable rapprochement with Mrs Thatcher and his installation as Defence Secretary. He had, it transpired, forgotten all about the reshuffle and was taking a short-cut on his way back from some lunch-time shopping.

At 3.21pm, a garden hoe and lawn rake went in through the front door of Number Ten

Some onlookers drifted away, only to miss the scoop of the day. It came in the shape of Mr John Major.

NUCLEAR POWER

Parkinson defends stance on nine Magnox stations

By John Mason

THE WITHDRAWAL of nine Magnox nuclear power stations from the electricity privatisation programme was yesterday described by Mr Tony Blair, Labour's Energy spokeman, as a "humiliating farce" which showed the Government was prepared to sacrifice anything to ensure a successful flotation.

However, Mr Cecil Parkinson, the Energy Secretary, said that since the Magnox stations were nearing the end of their lives, most of the decommissioning and waste treatment costs related to electricity already generated and paid for. It would therefore be wrong to ask future consumers to meet the costs of the past.

In his Commons statement, he also insisted that the extra costs of decommissioning the stations had only been revealed in the last few weeks by the preparation for privatisation.

But Mr Blair said it was "the most disastrous deal ever" for the taxpayer. He challenged Mr Parkinson to admit the liabilities to be met by the taxpayer as a result of the move could total £4½bn.

He said the Government's motivation was utterly transparent – to sacrifice anything at all, including the interests of taxpayers, to sell the industry to the city.

He said the right course was now to abandon the entire privatisation programme which was a "monument to incompetence".

Mr Parkinson said the policy change was a means of dealing with the problem of nuclear costs – not creating it.

The Government was only clearing up costs from the past. The future back-end liabilities of advanced gas and pressurised water reactors would be met by National Power. The taxpayer would only pay if there were changes in Government policy, he said.

Mr David Howell (Con Guildford), the former Tory Energy Secretary, said the move was realistic and would improve, not damage, the prospects of the future privatised industry. Some had wanted this solution from the start.

Mr Malcolm Bruce, the SLD Energy spokesman, said Mr Parkinson had only shifted position because the city had told him the industry could not be sold otherwise.

Write-offs at the taxpayers' expense totalled £8bn, plus the "open cheque" for decommissioning of AGRs and PWRs.

Sir Ian Lloyd (Con. Havant) said the move was both welcome and inevitable. But he doubted Mr Parkinson's claims that the nuclear industry would now be in a position to flourish after privatisation.

Mr Parkinson said PWRs operated successfully and economically in other countries.

Sir Trevor Skeet (Con. Bedfordshire N.) – a persistent campaigner for keeping the entire nuclear industry in public hands – welcomed the move. But he said the company to own the Magnox stations would not be competitive against National Power and Powergen, the private generating companies, unless it also owned the AGRs and PWRs.

Mr Tim Smith (Con. Beaconsfield) said the CEGB must have failed to make proper provision for decommissioning. Consumers had paid too little for their electricity in the past.

Mr Parkinson said he had never justified nuclear power on the basis it was the cheapest energy source – only on grounds of diversity.

Mr Donald Dewar, the Shadow Scottish Secretary, challenged Mr Parkinson to give details of the proposed ownership of Magnox stations.

The Energy Secretary said this was now under discussion.

LABOUR LEADERS want to wreck the Government's plans for privatising the electricity industry by invoking a Parliamentary procedure which would prevent the Electricity Bill receiving Royal Assent before Parliament adjourns for the summer recess on Friday.

Last night they persuaded Mr Bernard Weatherill, Speaker of the Commons, to consider whether the Government's decision to retain the Magnox nuclear stations in the publicsector effectively converted the Bill into a "hybrid" measureby treating public and private interests on a different basis. The Speaker undertook to give a ruling before the Bill received Royal Assent.

COUNTY NATWEST

Concern is expressed by Tories and Labour

By Tom Lynch

THE INVESTIGATION into the County NatWest affair must not spare those in high places, MPs on both sides of the House warned at question time yesterday.

Mr Dennis Skinner (Lab, Bolsover) told Sir Patrick Mayhew, the Attorney General, that people in the "Tory-dominated firms" of County NatWest and Phillips & Drew seemed to have been "getting away with blue murder."

He said those earning £100,000 a year should not be allowed to plead the excuse that they did not understand the niceties of the law, and action should be taken quickly in case they fled overseas.

Tory backbenchers dissociated themselves from the more colourful parts of Mr Skinner's remarks, but Sir John Stokes (Halesowen and Stourbridge) said that, if fraud was detected in an organisation, those at the top should not escape penalty.

Mr Hugh Dykes (Harrow East) said there was "widespread consternation" about findings in the Department of Trade and Industry report, and allegations of "bad handling and dishonest behaviour in the City." MPs would be "enraged" if a few low-level executives were used as scapegoats.

Sir Patrick said the report had been referred to the Serious Fraud Office and it would not be proper for him to comment. However, he told Mr Skinner his remarks did not help – "these things have to be dealt with in a sensible, ordered and balanced way."

Mr John Fraser, from the Labour front bench, said the enterprise culture seemed to have "spawned a few multi-million-pound viruses" which were affecting businesses at the heart of the City, not just on its fringes. He asked for an assurance that decisions on action would be made without regard to the "rank, title, seniority or antecedents" of those involved.

Sir Patrick urged MPs to allow the proper authorities to get on with their job.

WAR CRIMES

Hurd awaits debate on trials for Nazis

By Tom Lynch

DEEP DIVISIONS over whether alleged Nazi war criminals should now be brought to trial emerged in the Commons yesterday when Mr Douglas Hurd, the Home Secretary, announced that he would take the temperature of autumn debates in both Houses before deciding whether to introduce legislation to enable prosecutions to go ahead.

Divisions crossed party lines as some MPs argued that the crimes were so terrible that those who committed them must be pursued relentlessly. Others said the trials of a few very old men would reopen the wounds of the holocaust.

There was a wide welcome for Mr Hurd's decision to leave the decision to Parliament, although several MPs urged that any legislation be brought forward in the Queen's Speech setting out the Government's programme for the next session of parliament, which will start in November.

The exchanges came after a statement by Mr Hurd on the findings of an inquiry by Sir Thomas Hetherington, the former Director of Public Prosecutions, and Mr William Chalmers, the former Crown Agent, set up last year to investigate allegations that Nazi war criminals were living in the UK.

He said MPs should take account of the problems in bringing prosecutions – the effect on victims' families, the frailty of both defendants and witnesses and the reliability of evidence.

He also, however, quoted the inquiry team's warning that inaction "would taint the UK with the slur of being a haven for war criminals." Mr Roy Hattersley, the shadow Home Secretary, welcomed Mr Hurd's position, particularly his decision not to allow extradition to the Soviet Union, where many of the alleged atrocities occurred.

He told MPs: "The crimes which the inquiry considered are too appalling to be passed over even after the passage of half a century," and called for any legislation to be capable of covering criminals from any war, rather than specific to crimes committed in World War II. He also warned against laying down special rules of evidence for war crimes cases.

For the Social and Liberal Democrats, Mr Robert Maclennan, an advocate, joined Mr Hattersley in welcoming Mr Hurd's intention to let Parliament decide.

Mr Ivan Lawrence (C, Burton), a barrister, was the first of many MPs to welcome the report because "it will mean that Britain will no longer be a safe haven for the monsters who have committed the worst atrocities."

However, another barrister, Mr Ivor Stanbrook (C, Orpington) said prosecution would be "a tragic mistake." War crimes trials would "stir up emotions of hatred and revenge which will be evoked by the stories of the wartime atrocities."

A change in the law was backed by Mr Merlyn Rees (Morley and Leeds South), a former Labour Home Secretary. He said it would simply put those who became British citizens on the same footing as those who were British by birth.

MP SUSPENDED

Dalyell says Thatcher lied

By Tom Lynch

MR TAM DALYELL (Lab, Linlithgow) was again suspended from the Commons yesterday for alleging that Mrs Margaret Thatcher, the Prime Minister, had lied over the Westland affair.

At question time, he told Sir Patrick Mayhew, the Attorney General, that she had found herself in difficulty in January 1986 over the leaking of a law officer's letter and had told parliament "a self-preserving and self-seeking lie."

To call another MP a liar is against the rules of the House and Mr Bernard Watherill, the Speaker, asked Mr Dalyell to withdraw the word. After Mr Dalyell had refused several times, he named Mr Dalyell. MPs voted for expulsion by a majority of 160 (188-28).

PRIVATISATION

British Coal capital structure to change

By Tom Lynch

A CAPITAL restructuring of British Coal preparatory to its privatisation will be announced by the end of the year, Mr Cecil Parkinson, the Energy Secretary, said yesterday.

He told MPs at question time to expect "in the near future, certainly later this year" proposals for the restructuring of BC's finances.

The current capital structure was "not satisfactory." British Coal had no reserves and the cost of every pit closure had to be added to the negative reserve.

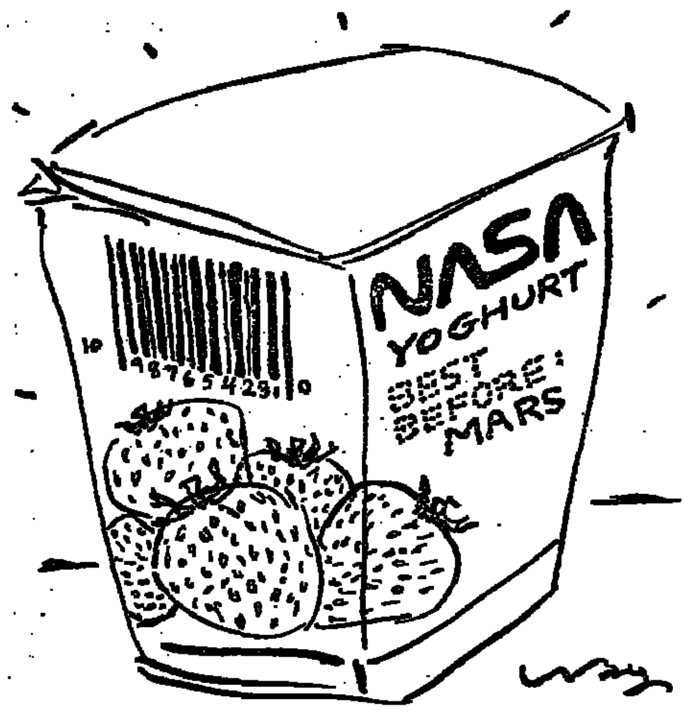
Mr Parkinson said the industry was carrying a heavy interest rate burden, and had received nearly £10bn in deficit grant and subsidy in recent years.

Sir Trevor Skeet (C, Bedfordshire North) said capital reconstruction was "absolutely vital to the industry."

"We have talked about breaking even for the past 20 years, but we have never been able to achieve it," he added.

Twenty years on from man's first steps on the Moon, **Rachel Johnson** discovers that cosmonauts' living conditions leave little room for nostalgia

No giant leaps towards Mom's apple pie



President George Bush will find no shortage of ambitious cosmonauts applying to be the first person on Mars, if the number of applicants to join the first Anglo-Soviet Space Mission is anything to go by. By yesterday's deadline for applications, the 12,000 who responded to the call for "astronauts wanted – no experience necessary" had been whittled down to 5,000 British hopefuls for a trip to the orbiting Mir space station in 1991.

But if these would-be cosmonauts had an inside view of life in a spacecraft, in zero gravity conditions, they might not have been so keen. For the 20 years since Neil Armstrong stepped on to the Moon have seen cosmonauts' living conditions improve in small steps rather than giant leaps.

In July 1969, the first Moon mission was perceived as the apotheosis of technical achievement. Politics aside, few doubt that it was a great human adventure. Yet the race to the Moon meant that the Apollo programme – completed in eight short years – left little scope for humanising the conditions.

"The Moon missions were completely out of sequence with the progress of the space programme. It was like taking a rowing boat to cross the Atlantic rather than waiting for an ocean liner," says Stephen Young, assistant editor of the international magazine Space Flight.

So the powdered breakfasts and metallic spacesuits – which have entered space fiction from Thunderbirds to Star Wars – are unlikely to entertain world television audiences gaping at future trips.

Scientists have been working steadily to make life in space more homely, and have come up with much more "normalised" living conditions for the new aeronautical family. (There are, after all, both sexes in space now, but weightlessness has been discovered to thwart the potential complications posed by a mixed crew.)

Progress can be reckoned by comparing Neil Armstrong's living conditions with those of future cosmonauts – going "to Mars and beyond," according to Bush.

Twenty years ago, the Apollo crew had to be grateful for small comforts. Its predecessors, Mercury and Gemini, were one-man and two-man space craft respectively. On Mercury, the cosmonaut had to keep his space-suit on all the time. On Gemini, the two crew members could take their helmets off and use wet-wipes to clean their faces.

On Apollo, there was enough room for the crew to take their suits off and wipe their whole bodies. They could also float around the module. But some things remained primitive.

"The waste management technology in the 1960s was the plastic bag," as James Lewis, manager of the manned systems division at the Lyndon B. Johnson Space Centre (Nasa's primary centre for design and development) delicately puts it. The crew member had to attach a plastic bag with an adhesive strip to his behind. In zero gravity, where everything floats, the indignity of the procedure was considerably heightened. Urination was equally tricky but "just about all right for men," he says. Crewmen had to hover over a tiny compartment and hold themselves steady by clutching the walls.

As for sleeping, on Mercury and Gemini, the crew slept in their suits, tied to couches. Apollo offered a choice: either to sleep restrained on the couches, or to find a nook to wedge their heads into. In conditions of zero-gravity, respiration propels the body along. Unwedged, a cosmonaut puffs himself around the capsule, in danger of knocking into something and waking up.

Nor did meals provide the cosmonauts with the back-home treats they must have been longing for after restless nights and days spent avoiding the problems of personal hygiene. Nasa meals and Mom's apple pie were as different as chalk and cheese.

"Nasa didn't appear to realise until the Skylab mission in 1973 that food with a moisture content has its own surface tension keeping it together," Young says.

As a result, all the food on Apollo came powdered in plastic containers or squeezed into tubes and, according to the cosmonauts, was both indistinguishable and unpalatable.

The fun of eating it held some compensation. The molecular force of the weightless food meant that pea soup could rise from the spoon in a perfect sphere, like a green marble, and float around the capsule.

Twenty years on, while scientists have not been able to by-pass the zero-gravity, pressurised conditions in capsules and shuttles, progress has been made. Improvements to the food are the most striking, according to Chuck Bourland, food systems manager at the Johnson centre, in Houston. These will be introduced both on shuttle flights and on the manned station due to come into operation in the mid-1990s.

"We have moved away from the pill concept, tubes and cubes to open containers with utensils," Bourland says. While it is possible to take one locker full of fresh foods, like apples and oranges, this only lasts 48 hours, as shuttles have no freezers on board. The bulk of the products are thermo-stabilised, irradiated, freeze-dried or rehydratable. But some are classified "normal form" or with "intermediate moisture content" – which means plain, recognisable food.

A typical shuttle menu might feature bread, rolls and pecan cookies. Products such as yoghurt and puddings, which were previously thought to behave too unpredictably in containers, are now taken on flights. Nasa often buys food off the supermarket shelf. But while companies love to boast that their products are used in space, priceless footage of particular brands is denied them. Nasa repackages each product to its own tight specifications to reduce flammability and water content, and puts on its own label.

A system of food inventory control, saving cosmonauts from checking labels and lockers, is being developed for use in the space station. It will track what food has been consumed using a bar-code reader on the packages. The information will be fed into a database and a computer display will warn the crew when stocks are low. "We're also looking at microwave and convection ovens, fridges and freezers for future trips," Bourland says.

Sanitation too has benefited from 20 years of R&D. For example, cosmonauts can shower in privacy thanks to a water gun and vacuum system. But although Nasa is reputed to have spent $12m developing a toilet more like a WC and less like a plastic bag, in tests it keeps breaking down.

The Apollo astronauts put on about a pound a day in weight because of the enforced inactivity. On the shuttle and space station, there will be a treadmill, a cross-country skiing machine and a rowing machine, while intake will be kept to 3,000 calories a day.

But however delicious the food may be, the problem of crew feeling too ill to eat it remains. Space motion sickness is experienced by 60 to 70 per cent of people leaving the earth's gravitational field and lasts up to four days.

David Grundy, senior lecturer in physiology at Sheffield University's Institute for Space Biomedicine, says the sickness is not caused by motion, but by the lack of visual cues aboard a spacecraft. The gravity sensors in the ear are sending no impulses to the brain. The crew member has to fix his own floor and ceiling and orientate himself accordingly. "When you see someone resting on what you count as your ceiling, this triggers nausea," he says.

For this reason, as well as endeavouring to make the surroundings less alienating, future stations are being designed by Nasa to have common living spaces with tables, chairs and videos. Crew will have up to 150 cu ft as personal space, which may include a "conferencing capability" which would allow them to phone home via satellite.

And if another theory proves right – that sickness is caused by stress rather than weightlessness – the biggest advances could be the provision of favourite music tapes and chocolate chip cookies.

A check on aircraft safety

THE CRASH of an DC-10 airliner, at Sioux City in the US last week, has fuelled concern about the safety of ageing air fleets.

In an attempt to keep track of the flying hours and repair schedules of the world's commercial aeroplanes, Aviation Research and Support has compiled a database of individual aircraft records, including maker, operator, age, annual flying hours and servicing.

The information, which relates to all 9,500 commercial aircraft with more than 50 seats, is updated monthly with data collected by the manufacturers from the airline operators.

A target market for the database is government agencies, and aerospace manufacturers and maintenance organisations. Financial institutions which need to put a value on airline companies are also potential customers.

The data can be presented in a number of formats. For example, the user can select all aircraft powered by a certain engine or all aircraft which have completed more than 3,000 landings.

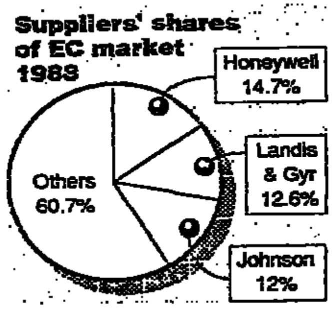
The software can run on anything from an IBM personal computer to a mainframe.

Big chance for small players

THE SINGLE European market could provide great opportunities for the smaller companies making intelligent controls for heating, lighting and ventilation in offices and factories.

According to a report entitled Intelligent Controls in Buildings, from the research organisation ProPlan, the market for advanced controls in EC countries was worth Ecus 360m (£240m) in 1988, but will more than double by the end of 1993 to Ecus 800m.

Suppliers' shares of EC market 1988



However, it is so fragmented that any small or medium-sized company with a strong pan-European strategy could seize market share.

There are three brands of intelligent controls that sell in all the EC countries: Honeywell and Johnson Controls of the US and Landis & Gyr of Switzerland. But each national market also has strong local suppliers, such as Trend, which has the largest share (15.4 per cent) of the UK market.

Japanese cash for new reactor

JAPANESE electrical manufacturers are building up their strength in nuclear power technology by investing in the next generation of reactors.

CRIEPI, the research body for Japan's electrical power manufacturers, is investing $20m in research at the US's Argonne National Laboratory to further develop the integral fast reactor (IFR).

The IFR burns a metallic fuel of uranium and plutonium rather than the oxides used in existing reactors. As well as creating new fuel while consuming the existing fuel – as with the fast breeder concept – the IFR puts some of the nastiest waste products back into the fuel where they are burnt up.

As a result this "pyrometallurgical" fuel reprocessing technology produces only low-level waste, which takes just "a few hundred years" to dissipate.

A prototype demonstration of the IFR is scheduled for 1991.

Quicker way to update software

WHEN a company opens a new regional office it is good news – except perhaps for the data processing manager.

For he or she has to update the computer software to include extra information on everything from payroll to stock control.

One of the biggest hassles is trying to understand the logic behind the existing computer code, so that any software added will not disrupt its functions. That takes up about half the time needed to add a new chunk of software, according to estimates from Delta Software Technology, the Swiss computer software house.

To ease the problem, Delta has developed a software tool which imposes a structure on the existing applications, written in the computer language Cobol. Cobol, developed more than 20 years ago, is still used for writing about half of all new software.

The tool, called Amelio, produces a pictorial map of the existing application to make it easier for the programmer to zoom in on the part where the new code has to be added. It automatically tests the newly written code and warns if it will disrupt existing functions. The company believes that the time taken to perform some tasks can be reduced by up to 60 per cent.

Amelio can also be used to package Cobol software so that it can work with the so-called high level languages, allowing programmers to write software in the faster new languages without having to declare the existing software obsolete.

WORTH WATCHING

Edited by Della Bradshaw

Paint problem contained

DECORATORS may be interested in a Danish product designed to help put paint on the walls rather than the carpet.

On the principle that the simplest ideas are often the best, Superfos Emballage has designed a square plastic paint container, which allows a paint roller to be dipped directly into it. The square, hinged lid is ridged inside for use as a roller tray.

CONTACTS: Aviation Research and Support: UK, 0789 548888. ProPlan: UK, 0494 722177. Argonne National Laboratory: US, 312 972 2000. Delta Software Technology: Switzerland, 1 525 2240 or UK, 0494 774123. Superfos Emballage, Denmark, 33 45 21 73.

MANAGEMENT: The Growing Business

The lure of an overseas market

The motives that prompt the moves

Continuing his series, Charles Batchelor highlights varying approaches to establishing a presence

It was the sharp rise in the value of sterling at the end of the 1970s that persuaded Tubbs Elastics that it needed to be manufacturing in the US. "Sterling went up 30 per cent," recalls Christopher Tubbs, managing director of the Sherston, Wiltshire company. "It was very difficult for a textile company."

With the help of Du Pont, the US chemicals group which was supplier to Tubbs, the British company identified Chesterfield Webbing, a small South Carolina-based company, as a possible acquisition target.

Chesterfield employed about 60 people and had turnover of $3m when Tubbs bought it in 1980. When Tubbs sold the company a few months ago, sales had risen to $15m and it was employing 185 people. At one stage the workforce had risen to 240, but this proved impossible to sustain in the small town of Chesterfield (population 2,000).

For the British company, with sales now of just £4m and a workforce of 120, buying and operating an American subsidiary was a considerable challenge. "It requires a lot more thought for a company of our size than for a large corporation," says Tubbs. "You can't run a US company from a £4m company in the UK. You can't afford to go over on Concorde every week if something goes wrong."

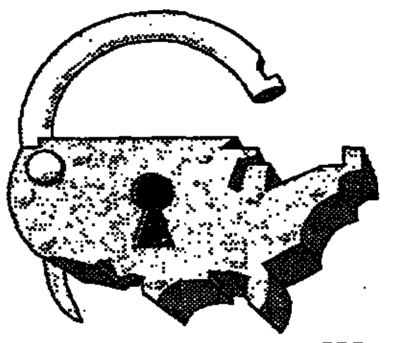
Tubbs was planning to take on an American manager to run Chesterfield when his brother-in-law, an Englishman with experience of running large companies in the US, offered to step in. The US company was managed with a fair degree of autonomy when, for family reasons, Tubbs decided to sell out.

Tubbs is just one of a growing number of British businesses, many of them quite small, to have established a base in the US in recent years. Some start from scratch on a "greenfield site," but many more attempt to shorten the learning process by buying out their distributor or acquiring a company in the same field.

Few acquisitions are completely trouble-free but they do give the British company a ready-made base for its US activities. Boston Matthews, a Worcester-based manufacturer of plastics processing machinery with sales of £5m, took over the machinery and workforce of its US distributor because it wanted greater control of how its products were sold in the US.

Integrated Micro Products (IMP), a computer manufacturer, based in Consett, County Durham, was drawn to the US not because it particularly wanted to break into the American market, but because a small company making fault tolerant computers was up for sale. The purchase of this company allowed IMP to extend its product range. "It would have taken us two years and £1m to develop a fault tolerant system in the UK," says Mark I'Anson, IMP's managing director.

Metapraxis, a consultancy and software company which devises systems to allow senior management to understand what is going on in their business, went about breaking into the US in a different way. It set up an office in New York after winning four large contracts from American organisations. The company, currently making about £4m worth of sales a year, set out to win US orders because it felt it had achieved dominance in the British market. "We decided to go to the US next because success there gets noticed," comments Robert Bittlestone, chief executive.



Breaking into the US

But doing two jobs – getting established in the US while retaining control of what is going on back in Britain – places enormous strains on the manager of the smaller company. Trying to build up sales in the US, while at the same time finding offices, recruiting staff and attempting to understand the legal and financial structure, adds to the difficulties.

One recruitment advertisement placed by Metapraxis for a management consultant produced 470 replies. Thirty five applicants were interviewed, of whom Bittlestone expects to appoint two. "You need a local right-hand person to act as an administrator and organiser," he says.

For all the similarities between Britain and the US there are wide gulfs between the business cultures of the two countries, British managers warn. Mark I'Anson found marked differences in management styles when he bought Parallel Computers of Santa Cruz, California.

"There are problems of communication," he says. "In the UK we ran things on a consensus basis. We would sit down and discuss something, arrive at a conclusion and then implement it. In the US that just does not happen. People have to be explicitly told to do something."

I'Anson says he also had problems controlling costs. This was partly because salaries and travel costs in the US are high but also because, particularly in the optimistic environment of Silicon Valley, executives tend to believe that by spending just a bit more money the company will make a breakthrough. "They think that just around the corner is the massive deal which will make the company overnight," he says.

This goes hand in hand with a more casual attitude to failure. A small British company with a limited budget has only one chance to get it right, however, so I'Anson says he has had to impose tight controls.

IMP has just recruited an American to be chief operating officer of Parallel and this will allow I'Anson to reduce the amount of time he spends in the US. Most of the smaller businesses which have gone into the US market agree that it is essential to have Americans in charge or, like Tubbs Elastics, British managers with experience of working in the US.

This is not because American managers are inherently superior to their British counterparts – many of the British companies say they have been disappointed with the quality of management in the companies they have bought – but because an American will know the business climate far better than a foreigner.

Don Fyffe, an Englishman who has worked for American companies for many years, heads the US assembly operations of Airedale International, a Leeds-based manufacturer of air conditioning systems (this page last week). Fyffe says it is essential to have Americans in jobs such as finance, sales and purchasing because they know the local conditions.

Airedale also made use of a freelance specialist in "human resources" to write the company's personnel policy book. "American labour laws are different so you must have a good lawyer or you will get into trouble," warns Fyffe.

On the technical side, however, many British companies transfer UK managers to the US. Tubbs Elastics did this with two successive general managers because they were familiar with the company's Swiss-made looms and could provide the technical support required. Tubbs also lent its production director to Chesterfield to install the new machinery and train the American workers.

"There was a shortage of really good production directors in our industry in the US," says Christopher Tubbs. "The salary rates don't attract the best people."

But even on the technical side local knowledge helps. Airedale worked hard to adapt its air conditioners for the US market and learnt a lot from its US distributor, but it still got some important details wrong.

"We wasted time and money building things which were not right for the market," says Fyffe. "You do need in-depth technical help to start with." Airedale initially used three-strand wiring for its air conditioners only to discover that American wiring does not incorporate the third, neutral wire used in the UK.

Fyffe says he also failed to realise that consultant engineers in the US required detailed drawings – "submittals" – and would not work on the basis of the specifications contained in Airedale's catalogue.

British entrants to the US market frequently find that the quality standards of the businesses they acquire do not match those which the British company expects back home. IMP was surprised to find that Parallel Computers' products were not as well engineered as it had thought and it took longer than expected to improve their quality.

As companies establish themselves more firmly in the US market they extend the range of their activities and become more firmly linked to the local business community. Airedale began assembling its air conditioners in Philadelphia after acquiring its US distributor. Assembly requires relatively little capital outlay, but if it decided to set up its own sheet metal shop to make cabinets for its air conditioners in the US this would require a sizeable investment.

Meanwhile it is increasing the number of components which it buys in locally and is considering raising finance locally to meet its working capital requirements, instead of calling on its parent company in the UK.

One welcome but slightly disconcerting outcome of starting up in the US is that the size of the American market may mean that the American subsidiary grows to be larger than its UK parent.

The British parent must then tackle a whole range of new issues. It must look, for example, at product development and marketing on a world basis. And it must recognise that it is not just running a relatively large subsidiary, but is beginning to turn into a small multinational.

The first article in this series appeared on July 18. The concluding article will appear on August 1.

Christopher Tubbs: "You can't afford to go over on Concorde every week if something goes wrong"

Accentuate the positive in credit control

How does your company make sure it gets paid on time? Do you employ a credit controller of the old school? Hunched over his phone all day in clouds of cigarette smoke, he knows the company, its products and its customers inside out. More important still, he can introduce just the right air of menace into his voice to suit the age of the debt.

From an air of calculated gruffness at the one-month stage to the four-month voice with which he threatens legal proceedings, he knows just the right amount of pressure to apply to ensure payment.

But is this the right way to manage your credit control? Applying the screw once a payment is overdue is a negative approach, according to a new book* which, if rather expensive at £25, offers a useful guide to a problem which bedevils many small businesses.

Far better to regard credit control and cash collection as a positive process, says the author Roy Hedges.

A single, threatening telephone call can undo months or years of good work by the rest of your company and may lose you more money in the long run than your credit controllers bring in.

Companies should switch the emphasis to managing and collecting debts before they become overdue rather than after.

Companies should first review their current credit control system to see if it is working efficiently. After all, no customer is going to change his pattern of payments unless you can show you are dealing with him efficiently.

Hodges recommends that companies concentrate on the 20 per cent of their customers which account for 80 per cent of the money owed instead, as many companies do, of concentrating on the age of the debt. It may go against the grain to chase a £600 payment which is not yet due at the expense of a £90 debt which is three months late but the impact on your cash flow will be far more significant.

An important part of credit control is knowing as much about your customers and their payment patterns as possible. Knowing just when a company carries out its monthly cheque run will enable you to time your calls or letters for the best results.

Customers should be contacted in advance of the payment date to check that there are no problems with the invoice and the goods which have been delivered. If a mistake has been made it can be sorted out before it becomes a reason for delaying payment.

A check call to establish that the customer has received all the invoices on which you expect payment is further proof that you take prompt payment seriously but allows you to do so in a way which is helpful to the customer.

If difficulties do arise with a customer who has a good reason for delaying payment these should become apparent in advance and allow you to reach an agreement on extending the payment period.

Even those customers who give the payment of bills a lower priority than watering the office cactus should be dealt with by firmness and persistence rather than hostility, Hedges says.

**How to get debts paid faster. Published by Gower. 127 pages. £25.*

Charles Batchelor

In brief. . .

■ A booklet of reprints of some of the articles which have appeared on the Growing Business page over the past 12 months is available. Quality management, selling to government departments, introducing computer aided design and manufacturing machinery and how to handle management consultants are among the subjects covered.

How to Manage a Growing Business is available from Publicity Department, Financial Times, Number One, Southwark Bridge, London SE1 9HL. 16 pages. £5.

■ Small business owners work under great pressure because they lack the resources available to the managers of larger companies. Two one-day workshops on Time, Stress and Crisis Management (this page Jan 31) will be held at the London Enterprise Agency (LEntA) on July 27 and August 9.

Contact LEntA at 4 Snow Hill, London EC1A 2BS. Tel 01 236 3000. Course fee £50 (inc VAT) though some subsidies are available.

BUSINESS FOR SALE

FOR SALE
Office Cleaning Company

The shares of a fast growing office cleaning company with contracts representing an annual turnover of £1.4 million.

- Professional and motivated management with a national organisation in place;
- Good gross margins on contracts, which are being maintained as the business grows;
- Excellent record of customer and staff retention.

For further information contact Kindi Gill or Sam Radford on 01-936 3000.

Touche Ross

Hill House, 1 Little New Street, London EC4A 3TR.
Telephone: 01-930 3000. Fax: 01-583 8517.

Authorised to carry on Investment Business by the Institute of Chartered Accountants in England and Wales.

Minerva House, Spaniel Row, Nottingham, NG1 6EP
Tel: (0602) 476052

QUALITY, HEAVY GAUGE KNITWEAR MANUFACTURERS

Located in Humberside, the package includes:

- Order Book, both British & European Markets to well known High Street Retailers.
- Loyal, long serving workforce of 35.
- Profitable trading record over 25 years. Present Turnover £5m.
- Plant & Machinery capable of producing 2,500 units per week.
- Premises (7,000 sq ft of Factory) available either on F/H or L/H basis.

Further details & viewing arrangements from:

Gemmells
Chartered Surveyors

READY-MADE COMPANIES FOR SALE

Knightsbridge Trading Company Ltd
Maybridge Financial Services Ltd
Maybrook Investments Ltd
Maywood Finance Company Ltd
Mountbridge Investment Company Ltd.
For sale as a group: £5,000 or £1,500 each
Tel. 05912 600 Fax 05912 450

General Building and Maintenance Contractors and Joinery Works

The Joint Administrative Receivers R. A. Powdrill and N. R. Lyle offer for sale the business and assets of P. A. Richardson Brothers (Builders) Ltd. The business operates from leasehold premises in central Ilford, Essex and employs 37 people. Current turnover is approximately £4.5m per annum of which approximately £2m per annum is maintenance work for substantial well known customers.

All enquiries should be addressed to:
J. D. E. Hamilton or D. S. A. Harding at Spicer & Oppenheim & Partners, Friary Court, 65 Crutched Friars, London EC3N 2NP. Telephone: 01-480 7766.

SPICER & OPPENHEIM & PARTNERS
A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

Steel Fabricators and Engineers Cornwall

The Joint Administrative Receivers offer for sale the goodwill and assets of Hattam Engineering Limited, a company specialising in structural steel fabrication, sub-contract component manufacturing and machining and general engineering.

The company occupies freehold premises on a popular Industrial Estate in Redruth, close to the main A30 trunk road and the London-Penzance railway line. The premises have a site area of 1 acre and there is a fully-equipped workshop including a Stavely boring mill and an overhead travelling crane.

Turnover currently exceeds £800,000 per year and there are substantial orders.

For further information, please contact the joint Administrative Receivers, Robert St. J. Buller and Maurice C. Withall, Grant Thornton, 43 Queen Square, Bristol BS1 4QR.
Tel: 0272 268901 Fax: 0272 265458.

Authorised by the Institute of Chartered Accountants to carry on investment business in England and Wales.

Grant Thornton
CHARTERED ACCOUNTANTS

Commercial
SAXTONS

On Instructions of the Director of Procurement, British Railways Board

IMPORTANT SALE OF TWO CONCRETE PRODUCTION FACILITIES AT MANCHESTER AND YORK EQUIPMENT INCLUDED COMPRISES

White Horse batching plant, 40 cu.m. per hour capacity, installed approx. two years ago, with Ramsey water metering equipment and B.P.S. digital sensor system, Teka single pan mixer, Nostrum additive system.
Liner Cumflow pan type concrete mixing plant with elevator and Parsons batch weigh scale, installed approximately 1970.
Additional equipment includes 2 Thompson & Munroe straightening/cropping machines, 13½" and 10" stroke; Futura double head power bender, 5 h.p./50 mm; similar single headed bender; Ficep three speed bender, size 42 (1982); Ficep Beton size 32 bar cropper (1983); Hydraulic bending machine (1984); vibrating tables (both coil and cam type); 274' Helligear conveyors; Ten ton Clyde gantry crane, 59 yds. long x 44 ft. wide; quantity of Ambirad overhead gas heaters and factory heaters; selection of Modform lifting equipment; 2 Atlas Copco 16 k.p.a. compressors, 2708 and 3259 hours respectively (1986); etc., etc.

FOR SALE BY TENDER AS A WHOLE OR IN LOTS TO SUIT
Viewing on site on 15th and 18th August
Tenders to be submitted by noon, Thursday, 24 August
Full details and tender documents from the Agents

On Instructions of the Administrator
TRAILER MANUFACTURING AND STEEL FABRICATION BUSINESS

IN NORTH MIDLANDS/NORTH OF ENGLAND
Trading for 18 months. Turnover in first year £2.6 million
Good order book with potential for finalising orders up to £700,000
60 employees
Sale due to undercapitalisation
Details contact the Agents

On Instructions of the Administrator
UPVC DOUBLE GLAZING MANUFACTURER/INSTALLER BASED NORTH DERBYSHIRE/SOUTH YORKSHIRE
Established five years. Good local reputation.
Turnover currently £40,000 per month with genuine scope for expansion.
Supplies both end user and the trade
20 staff
Sale due to undercapitalisation
Total commitment required circa £100,000
Details contact Agents

On Instructions of the Supervisor of a Voluntary Arrangement
EXCELLENT OPPORTUNITY TO ACQUIRE A FULLY LET INDUSTRIAL COMPLEX AS INVESTMENT
Situated in the prosperous and improving Don Valley with good access to Sheffield city centre and the motorway network
CURRENTLY PRODUCING £98,000 GROSS (£57,750 NETT)
CURRENTLY 23 TENANTS
Offers sought in the region of £350,000
Details contact Agents

DETAILS OF ALL THE ABOVE OPPORTUNITIES CAN BE OBTAINED BY CONTACTING THE SHEFFIELD OFFICE OF SAXTONS TEL. (0742) 730404 OR FAX (0742) 760937

WE SELL COMPANIES.

Whatever your business, we should like to hear from principals, whether buying or selling. All types of business sought, regardless of industry, size or location. The strictest confidence is maintained.

N. HUMBERSIDE - CARAVAN HOLIDAY PARK - 40 acre site Lic 400 pitches. P/F further 100. Many amenities. T/O £247k. Price £1.5m (Ref ZW18455YK)
W. COUNTRY - GARAGE - Valuable Lisp. Important Dealership. Showrooms/Car sales/workshops etc. T/O £2.2M+. F/H £600k. (Ref ZS18452N)
ESSEX - HAULAGE CONTRACTOR/PLANT HIRE - Small fleet of new quality vehicles F/H Yard. T/O £850k. Profitable. Price £400k (Ref ZP18927B)
N. WEST - LEATHER GOODS DISTRIB/RETAILER - Multiple outlets, poised for major expansion. F/H offices/showrooms/warehse T/O £550k. Price £320k sav (Ref ZK17696BB)
E. MIDLANDS - ENGINEERS/PREC. MACHINING - High-tech co. Varied customer base. T/O £800k pa. NP 23%. Offered at £700k +/- act current assets (Ref ZE19004G)
CO. WITH ELECTRICAL ENVIRON. CONDITIONING PRODUCT - BS approved. Package incl designs/stock/on-going tech backup. Price c.£100k (Ref ZG19050D)

Write to the General Manager
Everett Masson & Furby Corporate
18 Walsworth Road,
Hitchin SG4 9SP
Tel: 0462 422499, Fax: 0462 420082

EM&F EVERETT MASSON FURBY

INSURANCE BROKERAGE FOR SALE

Our client is a long established brokerage in a major West Yorkshire city.

Excellent client base. Commercial general turnover in excess of £3 million. Equally large life/pensions sector, outstanding offices and city centre position. First-class staff and management.

Net profit (exclusive of principals' remuneration packages) in excess of £350,000 for the last financial year.

Replies which will be treated in strictest confidence to:

Mr Peter Hamlett, at FINN, GLEDHILL & CO., Solicitors, 1-4 Harrison Road, Halifax, West Yorkshire. HX1 2AG

CURTAIN DREAM PLC

In Receivership

The Joint Administrative Receivers offer the business and assets of Curtain Dream plc for sale as a going concern. This is an exciting opportunity to acquire the following:

- Specialised curtain, blind and lampshade manufacturing business.
- Upholstery manufacturing business.
- Carpet wholesaling business.
- Franchised retail chain comprising 70 outlets, mainly leasehold, throughout the UK.
- Franchised factory and offices in Bradford, West Yorkshire and Bramley, Leeds, both with development potential.
- Retail turnover projected to grow to £10m next year with considerable further potential for growth.

Offers are invited for all or any part of the business.
For further details contact the Joint Administrative Receivers:
M.J. Moore and D.J. Waterhouse, quoting ref: 4058,
Cork Gully,
5 Albion Place,
Leeds LS1 6JP.
Telephone: 0532 457332
Fax: 0532 424009

Cork Gully

Cork Gully is authorised in the name of Coopers & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

CASUAL WEAR CHAIN

16 Shops trading Nationwide Trade Marks
Inclusive of Distribution Warehouse near London. No Creditors, clean Company.
Price £3.5 million.
Principals only write
Box F9076, Financial Times, One Southwark Bridge, London SE1 9HL

VIDEO CONSUMER MAGAZINE

The opportunity exists to purchase one of the leading titles in the family video consumer magazine market. An established title with expanding circulation and advertising. For Further details please reply to:-

Paul J. Cooper, Chartered Accountants, 44 Cardigan Road, London E3 5HT. 01-980-6256

COMPUTING RESOURCE FOR SALE

Located in the West Country this business with an annual turnover of £350,000 has been established 4 years. With its own mainframe and communication network the skilled staff of 6 support a wide variety of clients.

Principals only please write to Box F9069 Financial Times, One Southwark Bridge, London SE1 9HL

MARINE MAGAZINE TITLE FOR SALE

An opportunity has arisen to acquire a prestigious *high quality* marine magazine title with a projected turnover of £200,000 for the coming year.

For further information please write to: Box F9088, Financial Times, One Southwark Bridge. London SE1 9HL

READY-MADE COMPANIES FOR SALE

Bowood Investment Company Ltd
Burleigh Estates Ltd
Carisbrooke Investments Ltd
Curzon Trading Company Ltd
Estate, Finance & General Trust PLC
Price as a group: £5,000
Tel. 05912 600 Fax. 05912 450

Sainte Cecile
DEVELOPMENT SITE

Nr. LE TOUQUET, Northern France

225 acres

WITH FULL PLANNING PERMISSION FOR A

- 27 HOLE INTERNATIONAL GOLF COURSE
- 692 RESIDENTIAL UNITS
- 100 BED HOTEL
- HEALTH CLUB AND GOLF CLUB HOUSE

FULL DETAILED PLANNING

OFFERS IN EXCESS OF £8.5 MILLION

Knight Frank & Rutley
01-629 8171
LEISURE

FOR SALE
MARKETING AND PUBLIC RELATIONS CONSULTANTS

Successful business, based in London with two further U.K. offices.
Gross fee income £1.5 million.
For further information please contact Box No. F9092

U.S. OPPORTUNITIES

We have numerous motels in America ranging from 250K to 10M dollars for sale, interested parties please contact:
Pacific Land Management Co
Tel, (0843) 228227, Fax (0843) 228210, Tlx 965734

50,000 U.S. RETAIL OUTLETS FOR SALE

Well established U.S. Radiochemistry laboratory manufactures and analyzes Radon Gas detection test kits distributed by 50,000 U.S. outlets. Laboratory also has mixed waste analysis capability.

Reply to Consultant
Fax 817 244 2801 USA P.O. Box 122136
Fort Worth, TX 76116

Glazier Company

T/O £160k, Net Profit £30k, London based, long lease, potential freehold £100k o.n.o. Quick Sale required due to ill health.

Tel: 0784 45953

NURSING & RESIDENTIAL HOME GROUP NORTH EAST MIDLANDS

This freehold group consist of 4 homes total registration of 134 beds of which 87 are nursing and 47 residential care. All homes are fully occupied with substantial waiting lists. Over 50% of accommodation is purpose built. Total fee income is £1.3 million.

Fuller details and appointments to view available to principals only. Contact by either letter or fax to Mr. David Brooks or Jill Nichols at:

DAVID & COMPANY
BRIDGE GATE CHAMBERS
DUKE STREET
CHESTER CH1 1RP
Tel. No: 0244-310076 Fax. No: 0244-311282

ESTABLISHED MACHINERY BUSINESS

with market leader franchises in garden and professional ground care machinery and horticultural/agricultural equipment. Good contacts with golf courses, local authorities and professional users. Current turnover circa £300,000 with scope for great improvements. 0.8 acre main road site (7,500 sq ft covered). 20 minutes from 3 major cities, East Midlands area. Retirement forces sale.

Write Box F9094, Financial Times, One Southwark Bridge, London SE1 9HL

£600,000,000 COMPANY AVAILABLE

Dynamic Growth Orientated Intercontinental Travel Service Company specializing in large corporate accounts with sales revenues of £600 million is available. Will consider various growth possibilities or sale.

Write Box F9044, Financial Times, One Southwark Bridge, London SE1 9HL

NORTHERN BASED *COMPANY FOR SALE*

Turnover £1.25m. Importers/manufacturers of mens and ladies accessories. Was profitable but recent losses. Finance and competent management required for quick turnround. Directors willing to stay/leave.

Write Box F9072, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

Air Filter Systems Limited

In Receivership

Opportunity to acquire the business and assets of Air Filter Systems a well established manufacturer and supplier of air filtration systems and replacement parts. The company has a turnover of approximately £500,000 and order book in excess of £50,000. Its customers include many household names, primarily in the automotive industry. It trades from leasehold premises in Birmingham.

Assets available for sale comprise:

- Leasehold property approximately 2,600 sq. ft.
- Plant, machinery and fixtures and fittings.
- Stock and work in progress.
- Order book.

For further information please contact the Joint Administrative Receivers at the following address:
John F. Powell and Ian N. Carruthers,
Cork Gully,
43 Temple Row,
Birmingham,
B2 5JT.
Telephone: 021 236 9966
Fax: 021 200 4040
Telex: 337892

C&L **Cork Gully**

Cork Gully is authorised in the name of Coopers & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

SUSSEX BASED HAULAGE BUSINESS FOR SALE

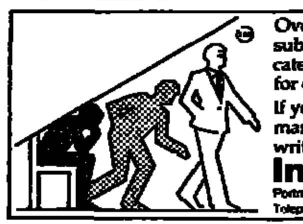
Holding company wishes to sell two divisions of existing business based in East Sussex. T/O in excess of £700,000 p.a. Sale to include international licence. Substantial customer list, stocks, vehicles, drivers and goodwill.

Freehold depot considered to have planning potential not included but available for purchase at the right price. Alternatively if required a short lease will be considered.

Quick completion required.
Principals only write Box F8993, Financial Times, One Southwark Bridge, London SE1 9HL

DIVERCO
Sell Companies Nationwide

SELLERS and BUYERS
Contact in confidence:
DIVERCO LTD.
4 Bank Street,
Worcester WR1 2EW.
Tel: 0905 22303



Over 3,000 innovations/technologies are submitted to us annually, which we categorize, patent and present to companies for exclusive licence.

If you are looking for new products to manufacture and/or market then telephone or write for further information.

Inventions to Industry
Portman House, George Street, Aylesbury, Bucks. HP20 2HU. England
Telephone (0296) 84141 Facsimile (0296) 433199 Telex 837520

AVAILABLE FOR SALE

European hot melt adhesives and applicator business including: centrally located production facility in Western Europe, exclusive rights to EEC distribution network, well-known trademark, and technology license to produce unique, large diameter plugs.

Write Box F9079, Financial Times, One Southwark Bridge, London SE1 9HL

Profitable North West Transport, Repair And Warehousing Business

Large freehold premises close motorway network. Turnover. 750K. Principals only

write Box F9073, Financial Times, One Southwark Bridge, LONDON. SE1 9HL For further details.

REPLACEMENT DOUBLE GLAZING MANUFACTURER PRESTON, LANCS

Offers are invited for the assets and business of Blackburn Window Company Limited. The company operates from premises in Preston, Lancs. manufacturing and supplying high quality replacement double glazed windows, doors and conservatories. The company enjoys a healthy order book and annual sales of circa. £750,000.

For further information please contact:-
Mrs Vaughan on 0727 38255 or the Joint Administrators:
N J Hamilton-Smith or D Mason
Morton Thornton & Co
Torrington House, 47 Holywell Hill
St Albans, Herts, AL1 1HD

U.S. ACQUISITION OPPORTUNITY FOR INDIVIDUAL OR GROUP INFORMATION SERVICES/STORAGE COMPANY

- Buy now before government approval is required.
- Turnover: £850,000.
- *High Growth Industry - New Technology.*
- Excellent relationship with clients.
- Excellent sources for products.
- Expanded Sales Team.
- High Quality Management will remain if desired.
- *Principals only - No Brokers.*

Write Box F9080, Financial Times, One Southwark Bridge, London SE1 9HL.

FREEHOLD SHEET METAL WORKSHOP

For sale. Fully equipped including TIG/MIG electric and gas welding equipment. For further details contact Mr S Hodge on telephone number 01-539-1340/7311, or by fax on 01-539-4953

LAUNDRY FOR SALE

Commercial Laundry for sale in London area. £400,000 including goodwill, fixtures and fittings.

Write to Box F9091, Financial Times, One Southwark Bridge, London SE1 9HL

SPECIALIST ELECTRICAL HEATING BUSINESS WELL KNOWN BRAND NAME

Plant equipment and extensive tooling to produce a range of domestic and industrial electrical heating appliances is offered for sale as part of the rationalisation of an engineering business and retirement of Directors.

Acquisition would suit a company wishing to enter the electrical heating field or a company wanting to add to their existing range. Finished stock, W.I.P. and components stock available.

Principals only. Please write in confidence Box F9077, Financial Times, One Southwark Bridge, London SE1 9HL

COSTA DEL SOL

Car rental business.
2 locations. Strong U.K. marketing support.

Write Box F8997, Financial Times, One Southwark Bridge, London SE1 9HL

Delicatessens For Sale

Duff & Trotter, Neal's Yard, Covent Garden and "Palms", Covered Market, Oxford. Rents low. Reasonable premiums.

Edward Erdman
Tel: 01-629 8191 Ref: RH/WES

FOR SALE

Established successful crane and plant hire business in Inverness. Considerable potential for expansion in growth area. Turnover of £1m.

For details write to: Bird Semple Fyfe Ireland WS249 West George Street, Glasgow G2 4RB Tel: 041 221 7090, Telex: 77947, Fax: 041 204 1902
Mr McIver or Mr Deane

Hunter & Son (Mells) Ltd

The business and assets of this well known manufacturer of wood burning, multi-fuel and gas burning stoves, are offered for sale by the liquidator Michael Grant FCA.

Sale particulars can be obtained from Peter Thurston, Spicer & Oppenheim & Partners, Queen Anne House, 69-71 Queen Square, Bristol BS1 4AE. Tel: 0272 214741. Fax: 0272 292645.

SPICER & OPPENHEIM & PARTNERS
A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

PROFESSIONAL SURVEYING PRACTICE (non-estate agency)

Established 25 years. Offices located in M.11 corridor. Turnover c.£400,000 pa with considerable long-term growth prospects. Reason for sale founding partner seeks early retirement, but remaining partners willing to continue. Principals only, please write to:-

Box F9082 Financial Times, One Southwark Bridge, LONDON. SE1 9HL.

FOR SALE

Small Credit Reporting Agency. Well established with both UK and international services. Good client base. Price negotiable.

Write Box F9081, Financial Times, One Southwark Bridge, LONDON. SE1 9HL.

LAKEY & CO

Graphic Design Partnership.
E. Anglia. T/o £350K N.P. £95K. Price £200K

Printer & Publishers Humberside.
T/o £575K N.P £50K after drawings. Price £225K

Phone (0394) 273371

READY-MADE COMPANIES FOR SALE

London, City and Southern Developments Ltd
London, City and Southern Estates Ltd
London, City and Southern Investments Ltd
London, City and Southern Properties Ltd
London, City and Southern Property Holdings PLC
Price for the group £5,000
Tel. 05912 600 Fax. 05912 450

SILICON VALLEY CALIFORNIA

Technical and administrative staff support business in San Jose, California. Founded 1980 has experienced rapid growth to $15 million annual turnover from substantial client base including multinationals and government departments.

Apply by fax to 0101 408 238 1248

BUSINESS CENTRE FOR SALE

Freehold or leasehold. Thames valley location. Profitable. 4,100 sq.ft. Serviced offices. 100% let.

Write Box F9085, Financial Times, One Southwark Bridge, London SE1 9HL.

WELL ESTABLISHED BIRMINGHAM BASED

cigarette machine business for sale. Net profit £35,342 pa from 5½ short days work a week. Involves filling machines in pubs, clubs etc. Ideal for male or female car driver working from home. Full training given. Price £88,250 plus SAV.

Write Box F8995, Financial Times, One Southwark Bridge, London SE1 9HL.

BUSINESS ADVERTISING ALSO APPEARS TODAY ON PAGES 38 & 34

READY-MADE COMPANIES FOR SALE

Aero, Marine & General Finance Corporation Ltd
Aero, Marine & General Leasing (UK) Ltd
Berkeley Square Nominees Ltd
City & Commercial Acceptances Ltd
City Finance & General Trust PLC
Price for the group: £5,000
Tel. 05912 600 Fax. 05912 450

INSULATION AND STRUCTURAL FIRE PROTECTION CONTRACTING COMPANY FOR SALE

TURNOVER ONE MILLION OPERATIONS THROUGHOUT U.K.

Write Box F9084, Financial Times, One Southwark Bridge, London SE1 9HL

MAGAZINE TITLE FOR SALE

12,000 controlled circulation trade monthly. Est. 1984. Av. 64pp. T/O 1988/9 - £227,000

Write Box F9075, Financial Times, One Southwark Bridge, London SE1 9HL

REGISTER OF ACCOUNTANCY

practices for sale. GRFs from 50k - 200k. Across the U.K. Fully confidential buying and selling service by partnership est. 1979.

Write Box H4860, Financial Times, One Southwark Bridge, London SE1 9HL.

WELL ESTABLISHED CORRESPONDENCE

course for novice writers for sale. Stocks, lists and goodwill included. Offers around £12,000.00.

Write Box F9071, Financial Times, One Southwark Bridge, London SE1 9HL.

DOUGLAS ISLE OF MAN Retail Shop Prime position. Ground floor 1,000 sq.ft. Total 3,000 sq.ft. Goods lift. 22½ years lease left. Ill health forces sale Tel: 0624 27214

ARTS

Form passive, colour active

William Packer discusses Brigit Riley's choice for The Artist's Eye exhibition at the National Gallery

The Artist's Eye, the latest in the National Gallery's long-running series of exhibitions for which, each year, a distinguished contemporary artist is invited to make a personal trawl of the collection, is again wide open (until August 31: sponsored by Shell). The scheme is now so secure a feature of the calendar, and so regularly enjoyable, that it is hard to see why it should ever be discontinued. In the event the shows have been as various and idiosyncratic as the artists involved: sometimes controversial, sometimes disappointing, but never less than intriguing even in the quality of the disappointment.

Scholars and art historians may once have jibbed at the very idea of artists let loose in the galleries to upset the natural, neat order of their schools and sequences of art history. But the fact remains that artists have no less a claim on the great collections than the scholars, and their study of the old masters is no less profound for being founded in their own interest and practice. That the connections and cross-references the artist makes might surprise and disconcert the historian, by their unexpected, unlooked-for relevance, is all part of the tease. The signs are that scholars have come to see the usefulness of the exercise, and to enjoy it too.

This year the duty and privilege – for to make free with such a collection is a rare privilege – have fallen to Bridget Riley, whose own severely regulated and actively chromatic brand of abstraction might, for once, suggest a connection with the National Gallery that is at best arbitrary and remote. The event immediately gives the lie to such superficial prejudice. I won't say that this is the best of all the series, but it is certainly the most rigorous in its selection and I can think of none that has been more distinguished in its physical presence.

She has chosen a mere seven paintings, and not any old masterpiece, of which the Gallery has so many, but paintings of the first rank. All but one of them falls within the little more than a century that separates the 1520s from the 1630s, the young Titian from Poussin in mid career. The outlier is Cezanne. There are two Poussins and El Greco; Veronese and Rubens make up the team. Strong stuff indeed, and a show chosen at random from the Gallery's holdings in these few artists would be impressive enough. But here the apparent theme, by which Miss Riley draws these disparate works together, makes their collective presence stronger still.

Her subject is the imaginative figure composition, the great religious or allegorical set piece of the late Renaissance and early Baroque, with Cezanne's extraordinary "les grandes baigneuses" included, with its secular nostalgia for a classical order and architecture, to make clear the essential continuity of that tradition, through into modernism. In her own work, colour is the active visual element, which she develops against a consistent and stable formal structure, the one more obviously active for the discreet and undemonstrative statement of the other. It is no more than natural, therefore, that her analysis of the works she shows us should fix upon the infinite variety, subtlety and vigour they evince in the use of colour as a vehicle of expression.

Exhilarating in itself for the sheer technical nerve by which it is disposed across and through the canvas, colour becomes for Miss Riley the essential dynamic in every aspect of the work, articulating the space in which each pictorial world exists, breathing life into the dancing figures, adding force to the emotional expression. The content is there to be considered, the story read, the moral taken – Greco's Christ in the Temple, Veronese's Adoration of the Kings, Poussin's Pan triumphant. But the experience of the work is total, the physical inseparable from the literal, the intuitive from the cerebral. All is of a piece, and colour is the binder.

But all artists say more through their work than they can speak of knowingly, and Miss Riley, in her preoccupation with colour, tells us only so much not only of the artists she celebrates, but of herself. What she says of colour is demonstrably true, and salutary to all who see great art as merely the superior illustration of a given idea. But so dynamically colourful as her work undoubtedly is, it is also most carefully structured – which is a necessary, inevitable quality of all true art. Here, in this rarified context, it is the particular nature of that structure that is so fascinating.

A convention of *The Artist's Eye* is that an example of the selector's work should be included. With a commendable humility, Miss Riley has placed her painting in the lobby to the exhibition, well away and invisible from her chosen masters. Had she been bolder, the point would have been obvious, but it is there to take nevertheless. Without exception the dynamic of each composition, from Titian's Bacchus and Ariadne to Cezanne's bathers, is set against a simple vertical structure, supplied variously by architecture, trees or, in the case of Rubens' Allegory of Peace, by the single spear at its centre, of the God of War. Such an element need not be emphatic, as the action swirls around it, but it is always there.

As for that pictorial action and dynamic, though it may be countered by its equal and opposite, there is to be found in each painting a positive emphasis upon the diagonal, passed up through figure and gesture, rising from left to right. In art the diagonal inevitably has the quality of movement, just as the vertical and the horizontal have that of order and stability. We look at Miss Riley's painting in the lobby, or at the small retrospective of her works on paper, now at the Mayor Rowan Gallery (31a Bruton Place W1: until September 7), and we see at once the subtle, lively visual play between vertical and diagonal, rising left to right.

Detail from Poussin's "The Triumph of Pan"

Last Look

SADLER'S WELLS

We delight in Paul Taylor's radiant and yea-saying dances, like *Mercuric Tidings* (which begins his third programme at the Wells) and *Arden Court*, because his sheer pleasure in movement and in civilised human intercourse has a Bournonvillian frankness. His company of delightful men and women dance as an affirmation of joy and warm us not least by their evident trust in what they are doing.

But, as the third programme also shows, Taylor can consider the blackest aspects of human behaviour and make dances intensely communicative of despair. *Last Look* is set at the moment when urban civilisation has run out, when the last look mankind takes of itself is so repellant that self-disgust must lead on to self-destruction.

Twenty-five years ago Taylor made his *Scudorama* about soul-less beings. *Last Look* confronts the damned with their damnation. In a circle of gleaming, reflecting screens, a pile of bodies breaks up to reveal women in modish dress, men in green overalls. They are galvanised by terrible shocks and tremors, twitching and falling helplessly, tearing at each other and at themselves, every last vestige of relationships brutalised and corrupt.

The movement language is ferocious in its angry energies and its blind aggression, and there is no surcease, no escape. Donald York (who has elicited fine performances every night from a gifted but anonymous orchestra) has provided a score which contains faint echoes of *La Valse*. And Taylor shows us Ravel's waltzers fallen into the abyss.

It is a *totentanz* whose ending is the same pile of human detritus from which the work began. It is magnificently danced by a cast led by Cathy McCann and Christopher Gillis, and dreadfully apposite.

Mercuric Tidings, which begins the evening, uses movements from Schubert's first and second symphonies for dances that ask no more than that we should delight in them and in Taylor's undimmed freshness in making some unexpected little quirk of movement seem wonderfully apt with the music.

Sunset comes as balm after the tensions of *Last Look*. The music is by Elgar (the Serenade and Elegy for strings) and the ingredients are a park in a barracks town, six soldiers and four girls

Flirtations and immemorial feints and games are the basis of the dances, of course, but gently and lovingly played. And, because this is Paul Taylor, something deeper: in the relationship between two of the men, in the very evanescence of the encounters and the contrasts between two groups who, socially and sexually, have roles to play. It is marvellously understated, and haunting. It is, of course, superlatively danced.

Clement Crisp

Royal Ballet School

COVENT GARDEN

This year's Royal Ballet School matinée on Saturday was offered as a tribute to Sir Frederick Ashton. It is tempting to hope that all such matinées, as showcases for the School's work, should bear Ashton carefully in mind for those fundamentals of musical sensitivity, clarity and decorum of style, nuance in the upper body, which mark "the Ashton style."

That it is a style somewhat eroded in current performance at the Opera House is all the more reason for the School to act as guardian of this central fact of our balletic history. In no other art does schooling mark the finished performer more crucially: ineradicable virtues – and ineradicable faults – are acquired in the studio.

In *Les Patineurs*, which began the matinee, there was neatness and an unforced honesty about much of the dancing. The phrasing of the pretty tunes, the pretty patterns, were nicely exposed and the soloists enjoyed themselves, with an elegant account of the "White" pas de deux from Emma Greenhalgh and Gary Shuker.

As the Blue Skater, Tetsuya Kumakawa – already a member of the Royal Ballet (he has danced the Bronze Idol in *La Bayadere*) and winner of a couple of competitions – demonstrated virtuosity rare in a so young a dancer. He is a bravura demi-caractère soloist with dazzling turns and a polished manner: his undoubted gifts will challenge him quite as much as they will challenge his company to find a worthwhile setting for them.

The Two Pigeons is, for all its innocent charm, a far more problematic work for students in that so much is concealed beneath a simple surface. There are depths of feeling and subtleties of playing and dancing, which escape the young.

The gypsy dances went their raggle-taggle way and Vanessa Palmer brought vivid attack and sureness of outline to her variations as the Romany siren.

Her rival for the young man's affections was Alice Crawford, merry in the comedy scenes but looking almost too young for a role which must plumb heart-breaking emotion.

The Young Man, Adam Cooper, seemed born for the part, with a clean technique and a natural and easy way with the role's dramatics: he looks like a premier danseur in the making.

The young performers, like the audience, owe a debt of gratitude to Philip Gammon as conductor. Helpful tempi to nurse the dancers, an affectionate understanding of the music's virtues, marked the orchestral playing.

Clement Crisp

Thérèse

ARTS THEATRE, CAMBRIDGE

While *Andrea Chénier* has been the inevitable choice of most opera houses who want to commemorate the French revolution, the Cambridge Festival has gone one better. Massenet's *Thérèse*, written in 1906, is the real thing – a genuinely French opera about the Revolution, written to a scenario with a detailed knowledge of the period and cloaked in music of a wholly Gallic grace and sensuousness.

In the 1970s the Massenet revival started to make a long overdue headway. *Manon* and *Werther* fought their way on to the stage in London, while the record companies brought us operas we may have read about but had never seen or heard, such as *Le Cid*, *Cendrillon*, *La Navarraise* and the 70-minute *Thérèse*. It seemed only a matter of time before they too arrived in the theatre, but a decade later that time has still not come.

In this country there have been no productions of them by our major companies and the Massenet enthusiast has had to travel far and wide to catch ambitious fringe or student undertakings.

The Cambridge *Thérèse* was one of these: a production conceived on such a small budget that the set consisted of little more than torn paper hangings, a meagre suggestion of the refined world that is to be torn apart at the opera's melodramatic climax.

Even in surroundings like these, however, the audience gets the chance to find out how the opera will move and breathe in the context of a living performance. On record, it had always seemed that the first act of *Thérèse* was too static to work well in the theatre and so it mostly proved here, but the conductor Nicholas Cleobury led his scratchy band of players with so much urgency that the tension started to boil even in the early stages.

Once into the second act, the opera really takes off. The composer, an operatic magpie who was always happy to sneak a silver trinket or two from other successful styles, brings *Thérèse* to a verismo climax of potentially thrilling intensity, if one has a lead performer who can bring it off.

In Fiona Kimm, Cambridge did and the last scene, sung with unstinting tone and involvement, hurtled with headlong passion to its violent dénouement.

At this penultimate performance on Friday the tenor Geoffrey Pogson (Armand) sounded unhappily out of sorts, but there was a well-presented André from the baritone Michael Bundy. Acting styles went little beyond wringing of hands and mopping of brows, stock gestures the producer Brian Anderson might have sought to contain.

Never mind: Cambridge Festival Opera knew why they were doing *Thérèse* and they had their strengths in the right place.

Richard Fairman

Juliette Gréco

BARBICAN

Like certain other products of France, Juliette Gréco improves with age. I remember seeing her in my impressionable youth at the Edinburgh Festival in the early Sixties. She came with a halo of Left Bank sanctity, the approval of Sartre, an existential icon. The vulnerable face was topped by a fringe. The austere black polo neck acquired a chic as undeniable as it was indefinable. She was French, intellectual and sexy.

She is still all three, as far as the acres of Barbican seating allow one to judge. Interestingly, her first visit to London for 10 years shows that age (whatever it is) has not brought subtlety. I have the impression that she acts out the songs more explicitly, especially with those hands, fluttering with a life of their own against her long black gown. The fringe is gone but her parting adds no great matronly respectability to the long hair. The cheek-bones seem a little broader. But as her singing was enchanting Sartre in 1950 it would be ungallant as well as unnecessary to probe further.

This vintage has grown more powerfully full-bodied than smooth. The voice is deeper than ever, occasionally attaining a boyish hoarseness, sometimes a Dietrich-like baritonal throb (Marlene, not Fischer-Dieskau). Her English is suspiciously as nature intended it (come now, after all these years?). She makes great play of its inadequacy, apologising for this difficulty in communicating, or making love, as she puts it.

Naturally, love-making preoccupies much of her art; but making war is not forgotten. "La place aux ormaux" became a sombre drama of bewilderment in the face of barbarity underpinned by a haunting accompaniment. Her five excellent musicians are led by the composer of that and many other of the programme's songs, Gérard Jouannest.

His was the number that opened the evening, that satisfied and unregretful "Non monsieur, je n'ai pas vingt ans," besides the lilting "Les années d'autrefois," a piece of nostalgic self-indulgence that never wallowed into sentimentality.

Two famous Joseph Kosma numbers, "Si tu t'imagines" and "Les feuilles mortes," have words by Raymond Queneau and Jacques Prévert respectively. What would the equivalent British collaboration be? George Steiner and Peter Maxwell Davies? Still, any art form that has Jacques Brel in it cannot be all good. "Victor Hugo, hélas!" replied the critic when asked who the greatest French writer was. Jacques Brel, hélas, still strikes the Anglo-Saxon as dangerously close to kitsch, perilously portentous. Never mind. The mini-theatre of Gréco's hands, shoulders, face and, of course, voice, caressing or raucous according to need, still works.

Martin Hoyle

ARTS GUIDE

July 21-27

OPERA AND BALLET

London

Royal Opera, Covent Garden. The Royal Opera's sugary *Die Zauberflöte*, with its fake-18th century perspectives and rompish routines, is revived with an excellent cast – Keith Lewis, Karita Mattila, Mariella Devia, Francois Le Roux and Robert Lloyd – and Colin Davis as conductor. Further performances of Rossini's *L'Italiana in Algeri*, revived for Marilyn Horne; and final ones of *Cavalleria rusticana* and *I Pagliacci*, with Robin Stapleton as conductor and casts including Ghena Dimitrova, Diana Soviero, Vladimir Atlantov, and Piero Cappuccilli.

Ballet. At the Coliseum the Bolshoy Ballet storms through a repertory of full-length ballets, including *Giselle*, *Spartacus* and *Romeo and Juliet*. Worth seeing, of course. So too is the wonderful Paul Taylor company at Sadler's Wells Theatre, with evenings of Taylor's superlative choreography and dancers.

Paris

Grand Palais des Champs Elysées. American Dance Theatre: Alvin Ailey: *Rainbow around my Shoulder*, *Memoria*, *Revelations*; followed by Moiseyev's Ballet with Russian and world folk dancing (45787615).

International Opera Festival at the Versailles Palace (ends July 30). *La traviata* with Editta Gruberova, Daniela Longhi, Nelly Miricioiu in the role of Violetta alternates with *Andrea Chenier* with Placido Domingo, Ermanno Mauro, Giorgio Aristo in the title role and Katia Ricciarelli, Natalia Troitskaya in that of Madeleine de Coigny (42876163).

Bayreuth

Bayreuth Festival. Wagner fans from all parts of the worldwill see the premiere of a *Parsifal* production by Wagner's grandson Wolfgang. Conductor James Levine leads a strong cast including William Pell in the title role, Bernd Weikl, Matthias Hoelle, Hans Sotin, Franz Mazura and Waltraud Meier. After criticism of Harry Kupfer's *Ring* cycle production, changes are expected for the revival. The main roles are once again sung by Siegfried Jerusalem/Rainer Goldberg, John Tomlinson, Peter Hofmann and Nadine Secunde. *Lohengrin*, conducted by Peter Schneider has Paul Frey in the title role, Cheryl Studer/Nadine Secunde, Ekkehard Wlaschiha, Gabriele Schnaut and Eike Wilm Schulte. *Tannhäuser* returns, after a one year break with the new Venus Ruthild Engert-Ely, Cheryl Studer, Wolfgang Brendel, Hans Sotin/Manfred Schenk, William Pell and Siegfried Vogel, in Wolfgang Wagner's delightful production.

Munich

Opera: Munich Opera Festival. Richard Strauss' rarely played *Die Liebe der Danae* stars Sabine Hass, Andreas Traubeth, Spas Wenkoff, James King, Claes H. Ahnsjoe, Roger Roloff and is excellently conducted by Wolfgang Sawallisch. *Lohengrin* returns in August Everding's production with Peter Seiffert in the title role, Lucia Popp, Hans Guenter Nöcker, Janis Martin, Wolfgang Brendel, and Kurt Moll. *Le nozze di Figaro* has a first-rate cast led by Margaret Price, Wolfgang Brendel, Susan Quittmeyer, Hermann Prey, Angela Maria Blasi, Cornelia Wulkopf and Manfred Jungwirth, conducted by Bernhard Klee. *Don Giovanni* is well sung by Thomas Allen, Julia Varady, Peter Schreier, Mariana Nicolescu, Jan-Hendrik Rootering and Angela Maria Blasing.

Rome

Terme di Caracalla. Mauro Bolognini's traditional but effective production of *Tosca*, conducted by Jan Latham Koenig, with Giovanna Casolla in the title role, Nicola Martinucci as Cavaradossi and Ingvar Wixell alternating with Ella Padovan as Scarpia. First performance of *Aida* this season with Grace Bumbry, Aprile Millo, Giorgio Lamberti and Gianni Furlanetto, conducted by Nicola Rescigno, and Prokofiev's *Romeo and Juliet*, with choreography by the Rome Opera's ballet company's director, Mario Pistoni; Margherita Parrilla and Mario Marozzi dance the lead roles (46.17.55).

Villa Medici. Romaeuropa Festival. Luigi Cherubini's forgotten masterpiece *Le due Giornate*, which describes how the librettist Bouilly was saved from death during the French Revolution. Given in oratorio version, conducted by Michel Plasson (Mon, Tues) (4744776 or 6544601/2).

Verona

The Arena. Performances this week include Verdi's *Nabucco*, conducted by Daniel Oren, with Silvano Carroli, Piero Cappuccilli, and Paata Burchuladze; Gianfranco de Bosio's production of *Aida*, conducted by Pinchas Steinberg with Aprile Millo and Bruno Beccaria, and *La Forza del Destino* with Maria Chiara, Giorgio Zancanaro and Nicola Martinucci, conducted by Sandro Bolchi (596517/8005151).

Ravenna

Ravenna in festival. Verdi's *La Traviata*, with Nelly Miricioiu and Renato Bruson, conducted by Massimo de Bernard (Wed) (32577).

New York

New York City Opera. Stanley Silverman conducts Harold Prince's production of Leonard Bernstein's *Candide* with Lisa Saffer as Cunegonde and Robert Tate in the title role. The week also includes *The Merry Widow* conducted by Imre Pallo with Michele McBride as Sonia and *Don Giovanni* conducted by Sergiu Comissiona in Harold Prince's production with Elizabeth Hollesque as Donna Anna and John Cheek in the title role. Lincoln Center New York State Theatre (877 4700).

London Festival Ballet. Billed as the "best from the London Festival Ballet", the company perform *Romeo and Juliet*, *Land*, *Anastasia*, *Etudes* and *Napoli* in their fortnight's visit, the first in nine years. Lincoln Center Opera House (362 2080).

Washington

Kirov Ballet. The company opens its two-week stay with *The Sleeping Beauty*. Kennedy Center Opera House (254 3770).

SALEROOM

Drink fit for a Czar

Last year the Soviet Government was selling off its contemporary art to the West; now it is disposing of its wine. To make up for the dubious reputation of most recent Russian vintages the highlights of the auction at Sotheby's in London next March will be 1,155 bottles of pre-1918 wines, produced for the Czar.

In all over 13,000 bottles of dessert and fortified wines (which last longer than any other wines) from the Crimean winery of Massandra will be offer for the first time in the West. Attention will be concentrated on the wines produced before the Revolution, and 612 of the bottles still bear the imperial seal. The earliest wines date back to the 1830s and there will be 24 bottles from 1917, the year of Revolution, when the harvest was safely gathered in before the mayhem started.

Among the rarities are a bottle of Russian "Lacrima Christi" of the 1890s, a sweet wine very popular at court and not made since 1917. It is very different from the Italian wine which carries the same name. It is hard to put estimates on the wines but some of the pre 1917 bottles are certain to top £1,000.

At Sotheby's in Monaco on Sunday a Mercedes 500 K Special roadster of 1934 sold for £1,956,237, a record for a Sotheby's car sale.

*

Perhaps the biggest potential blow the Government has dealt the arts in the last few years is the reduction in the top rate of tax to 40 per cent. This has greatly increased the saleable value of costly works of art to their owners.

Even so there are still people prepared to negotiate a private treaty with the Government for their treasures rather than entrust them to the vagaries of an auction, and Christie's, which like Sotheby's, is quite prepared to organise such disposals, has announced two such happy endings.

A major Rubens drawing, "Tartar Huntsman", has been allocated in lieu of tax through a private treaty sale negotiated by the executors of the late Sir Spencer Le Marchant, MP. It is going to the Fitzwilliam Museum. This is a suitable outcome since the drawing was once owned by Michael Jaffe who retires as director of the Fitzwilliam in September 1990.

Another major work by Rubens, "The Glorification of Germanicus; a copy after the antique" is to go to the Ashmolean in Oxford under the same procedures.

Antony Thorncroft

FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700

Tuesday July 25 1989

Mexico as catalyst

MEXICO WAS the catalyst in triggering the Third World debt crisis. As a result of the weekend agreement on debt reduction with the leading commercial banks, it could play a similar role in bringing about the long-awaited solution.

The wheel has turned almost full circle. Seven years ago in August 1982 the problems of deeply indebted developing countries started to haunt the international financial community, when a profligate Mexico was on the verge of defaulting on its obligations. Now a soberly led Mexico is demonstrating that genuine efforts at orthodox economic management can be rewarded with debt relief – even by the commercial banks.

A good deal of fine print still has to be negotiated between Mexico and the 15 lead commercial banks and the agreement will in turn have to be sold to hundreds of other banks. This probably means that nothing definitive will be in place before the end of the year: hence, the Bush Administration's willingness to provide bridging finance.

Nevertheless, the agreement is a milestone. For the first time, commercial banks accept that at least some of their number will be obliged to recognise losses. Until now they have been notoriously reluctant to embrace the principle of debt reduction, on the grounds that this was thinly disguised debt forgiveness.

Threat to stability

That they have changed their minds, however reluctantly, represents a considerable feather in the cap of the Bush Administration. From the outset, Mr Nicholas Brady, the Treasury Secretary, has championed the principle of debt reduction, rightly recognising that the continuing haemorrhage of resources in debt service was threatening the political stability of many Third World debtors. He has kept the momentum of negotiation going without compromising his original "Brady Plan" and has been prepared to knock heads together in the final negotiations.

The virtue of the Mexican deal lies also in its time-frame. For the first time an arrangement between creditor and debtor goes beyond the short term, covering Mexico's financial needs for up to four years. No one can pretend this is a definitive solution either to the problem of Mexico's huge stock of debt or to the challenge of resuming growth. However, it does give the Government of President Carlos Salinas de Gortari the kind of security and predictability required if Mexican adjustment is to have a chance of achieving success over his six-year term.

Even without agreement on detail, *it is clear the banks will* have three choices: to swap old loans for bonds (discounted by 35 per cent or carrying a 6¼ per cent fixed interest rate) or to make new loans. Until we know what choices the banks make, the final benefits for Mexico will not be known. But a number of irritants have been removed, in particular those relating to "free riders" (banks which receive interest but provide no new capital). The World Bank and International Monetary Fund are also deeply involved, as indeed is Japan, which is chipping in $2bn.

Selfish interest

The US had a selfish interest in ensuring that Mexico, sitting on its strategic southern border, should be dealt with first. But this was also the correct choice. As the second biggest debtor in the Third World, Mexico was the only one of any size to have gone about structural adjustment, trade liberalisation and economic deregulation with a degree of purpose and success. The US has managed to achieve its immediate objectives in Mexico at very little cost to itself. But since the Brady Plan must be a framework for negotiations with other debtors, it may not get off so lightly in future. Negotiations should now begin on a broader front, with the next likely candidates being Costa Rica, Morocco, the Philippines and Venezuela.

The notable absentees from this list are Argentina and Brazil which account for almost half Latin America's debt. The message to be learned from Mexico is that debt relief cannot be expected as of right, so rewarding economic incompetence. Instead, it must be the fruit of mutual sacrifice by both debtor and creditor.

Price control in water

THE THATCHER Government is facing a difficult argument with the water industry about its dowry for the marriage into the world of private profit. The problem results from the Government's *wrong presumption* that a system of price ceilings would be the best way to prevent monopoly abuses while stimulating efficiency.

In theory these ceilings are set a decade in advance, but subject to five-year revisions, to allow the water companies to recover the costs of investment they will be obliged to make to renew water pipes and improve standards. Then it is thought they will have every incentive to manage those investments efficiently and to cut costs in order to earn good profits.

In industries with relatively low investment needs, or in a business like telecommunications where capital projects enhance overall efficiency, a price control mechanism may be a useful spur to management. However, the UK water industry is facing an enormous capital programme. Many of the investments will contribute little to operating efficiency.

The water boards are anxious to secure relatively high price ceilings which will allow for a margin of error in calculating future capital needs. The Government is reluctant for political reasons to be seen to set prices too high. On the other hand, a very sharp squeeze would deter potential investors and reduce the Treasury's proceeds.

Fair balance

This is more than just a squabble about numbers. It raises the question of whether price ceilings set in advance are likely to achieve a fair balance between shareholders and consumers. The price rises allowed each year will be limited to the retail price inflation rate plus a "k factor", set initially by the Government and then by the industry's regulator.

Some water boards have been talking about k factors of 10 percentage points or more. With figures so large it is likely that forecasting errors by the companies and by the regulator will have at least as important an effect on profitability as efforts to be efficient. A k factor that turns out to be too low may penalise shareholders unfairly, while too high a k could allow inefficient companies to increase profits *at the consumers' expense.*

Capital obligations

The Government is seeking to get round this difficulty by agreeing a system of "cost pass through" which would allow water companies additional price increases to meet unforeseen or unquantifiable capital obligations. This is potentially more equitable than a price ceiling, provided the regulator is charged to ensure that the costs are reasonably incurred and that the company earns a fair rate of return on its expanded assets. Achieving fairness is easier if the cost of a project is judged after it is done rather than five to ten years before. Some incentives for efficiency might be sacrificed, but a tough regulator using "yardstick" comparisons between different companies could keep up the pressure.

The Government should minimise the k factor and concentrate on providing a fair and efficient method of regulated cost pass through. This would remove much of the uncertainty faced by investors and allow returns on capital to be somewhat lower – to the benefit of consumers.

Water customers will still have to pay higher bills and it is right, under any system, that they should meet the costs of better standards. But the *Government must ensure that* consumers are not asked to bear more than the long-run costs of new supplies, with an appropriate allowance for profit. It must resist the temptation to fix the combination of k and pass through rules in a way designed to maximise its proceeds. It may be appropriate to soften the impact of future price rises by using some of the proceeds of privatisation to write off existing debts and, if necessary, to set the companies on the road with a capital injection. Provided the regulator has tight control over the relationship between prices and profits, there should be no danger that this would be used as a windfall for shareholders.

Stefan Wagstyl looks at Japan in the light of the ruling party's weekend electoral débâcle

Paying the price of disillusion

Sousuke Uno, Japan's Prime Minister, who announced his resignation yesterday

The resignation of Mr Sousuke Uno, Japan's Prime Minister, is the first of many upheavals which will inevitably follow the humiliating defeat suffered by Japan's ruling Liberal Democratic Party in national elections on Sunday. For the first time since it was founded in 1955 the party lost control of the upper house.

Japanese are now questioning as never before the certainties which have governed their existence since the Second World War. The scale of the success in Sunday's poll of the Japan Socialist Party, the biggest opposition party, shows many voters are now thinking the previously unthinkable – that there is an alternative to LDP rule.

The effects of this fundamental change in attitude will be felt both inside Japan and in its relations with other countries. In economic policy, for example, Japan might become markedly more reluctant to bow to foreign demands which entail sacrifices at home.

Miss Takako Doi, chairman of the JSP, scarcely exaggerated the importance of the result, when she said it marked "a new dawn in Japanese politics."

Looking beyond this Sunday's results, the main effect of the rise of the JSP may be to create a new consensus. Instead of trying to hold back the popular tide, the signs are that Japan's corporate and political rulers are already moving to accommodate it. Only hours after the poll result, for instance, the Keidanren, Japan's leading employers' organisation, offered to hold policy talks with the JSP.

Half the 252 seats in the upper house of the bicameral Diet were at stake. The LDP held 69 of them and needed 54 to retain its majority. In the event, it won 36. The JSP more than doubled its share from 22 to 46, making it the single largest opposition party. But it has formed an alliance with smaller opposition parties which as a whole has a majority.

It is possible that this is only a massive protest vote and that the usually complacent Japanese voters will return to the party which has brought peace and prosperity for so long. But the way in which the anti-LDP vote has been garnered by the Socialists at the expense of other opposition parties suggests that something more permanent is afoot. For the first time since the 1950s a two-party democracy is emerging.

If the Sunday results were repeated in a general election to the more powerful lower house, the LDP could be voted out of office. A general election has to be held by next summer, but the LDP might be forced to call one sooner, if only to end uncertainty.

The ruling party was defeated for three main reasons: the Recruit financial scandal, involving large payments by that conglomerate to leading LDP members; its support for moves to liberalise food imports at the expense of Japanese farmers; and, above all, its implementation of a highly unpopular consumption tax. A sex scandal involving Mr Uno and a part-time geisha added fuel to the flames.

However, the root of the LDP's failure is more fundamental. Since its formation in 1955 the party has governed by balancing the interests of different producers – big business, small business and farmers. But the need in the 1980s to accommodate the demands of foreign countries by opening markets to overseas companies has alienated the LDP's grassroots support. In Sunday's poll, small producers – farmers, shopkeepers, self-employed tradesmen – deserted the ruling party in their millions.

The Recruit scandal, furthermore, persuaded voters that more than 30 years in office had divorced the party from the common man. People were angry at the amounts of money in politics, much of it generated from profits on land and securities. Voters could no longer stomach "the arrogance of power," says Mr Takashashi Inoguchi, a professor of politics at Tokyo University.

Many Japanese women rejected the male-dominated LDP and turned to the JSP, which cleverly exploited their dissatisfaction by advancing women candidates. Miss Doi, chosen as party leader in desperation after the JSP's worst-ever election result in 1986, came into her own.

A former law professor with a love of parties and pinball machines, she urged the voters to take power into their owns hands. She was so successful that the party gathered votes not only from the LDP but also from the smaller opposition parties.

The only exception was Rengo, a trade union confederation, which, in close co-operation with the JSP, put up candidates in a national election for the first time. Eleven out of 12 Rengo candidates won seats. Rengo is likely to act as a bridge-builder trying to make sure that the anti-LDP alliance led by the JSP holds together.

The LDP's first challenge is to find a successor to Mr Uno. This will not be easy given that Mr Uno was himself chosen less than two months ago and only after a month-long debate which followed the resignation of his predecessor. Practically all the potential candidates were involved in the Recruit scandal.

However, the names mentioned so far are mostly those of elder statesmen who were also considered and rejected before Mr Uno was appointed. The favourite of many is Mr Masayoshi Ito, a former Foreign Minister who has an ultra-clean reputation. But Mr Ito, 75, has repeatedly refused *to be considered on the grounds of* ill-health.

The new Prime Minister will have to convince voters that the party is serious about reforming political fund-raising. The LDP has a well-earned reputation for responding to crises, so it might just bite the bullet this time. But this is unlikely since real reform would require the abolition of the factions of which the LDP is composed. The previous attempt to recruit Mr Ito foundered on this point. "The LDP cannot solve the problem. The LDP is the problem," argues Mr Hidekazu Kawai, professor of comparative politics at Gakushuin University.

Japanese are now questioning certainties which have governed them since the war

In the Diet, the new party leader will face an unenviable job. Even when it had a majority in both houses, the LDP's respect for the Japanese tradition of consensus government led it to consult frequently with the opposition. Now that the opposition dominates the upper house, parliamentary management will be more difficult.

Some analysts believe the only answer for the LDP will be to call an early general election. The ruling party might hope to benefit from a rebound in support among those voters who used the upper house poll to register a one-off protest. It would also avoid damaging open criticism when the Diet reopens at the end of August and the opposition introduces plans to abolish the consumption tax, which the LDP would be duty-bound to oppose. However, even if the ruling party retains its majority in the lower house, it will have to learn to live with the increased power of the Socialist Party.

The JSP, which has tasted power only once, briefly in 1947-48, has often been plagued by left-right ideological rows. The essence of the left's ideology lies in its defence and foreign policies – including demands for the abolition of the US-Japan Security Treaty, which prompted the JSP to hold demonstrations in 1960.

Sensing the possibility of electoral success, Miss Doi has accelerated a process begun in the early 1980s by pragmatic party leaders to try to push the party into the political mainstream. She has gone out of her way to stress continuity in foreign policy and defence, emphasising that the security treaty would stay in place.

The electoral triumph will greatly improve Miss Doi's chances of winning the argument, mainly by bringing into the party a host of new members. These will counter the influence of the party old guard, where trade union veterans predominate.

Equally, while the bureaucracy might initially be antagonistic to a JSP government, bridges could easily be built by making use of a law which allows a Japanese government to recruit half the cabinet from outside the Diet, typically from the ranks of the bureaucracy.

Nevertheless, the JSP will remain dependent on public sector unions for much of its money. Much will depend on how the JSP handles the coalition it hopes to lead. In order to control the upper house, Miss Doi will not only have to keep her own party together but also to co-operate with the other smaller groups. Uncertainty and instability in party politics are now likely to be the order of the day.

But the main pillars of the post-war settlement are likely to remain unchanged, particularly as the corporate and political establishment adjusts to the leftward shift. Greater prominence is likely to be given to issues like the environment, a slowdown in the nuclear power programme, more welfare spending, more road building, and proposals to encourage land development. This is all part of JSP policy, but none of it is necessarily anathema to the LDP.

Certainly, there could be economic constraints to higher public spending, as Ministry of Finance officials rushed to point out as soon as the election result was known. In particular, there is serious concern about a re-emergence of inflation. The wholesale price index climbed by 3.4 per cent year-on-year in May, against a decline in the same month last year. But such objections are concerned with ways and means rather than issues.

No Japanese who has been to Europe or North America doubts that Japan lags the West in basic public facilities. Many homes in Japan are still not connected to a main sewer. Public roads are often unmetalled. Japanese companies, especially construction groups, could benefit from a steady expansion of public sector spending. So might those foreign groups able to increase their exports to Japan.

The JSP might nudge the country further towards developing an economy led by domestic demand and not exports – exactly the direction desired by Japan's trading partners. Unfortunately, there are some dark clouds over such a rosy future. The biggest is that voters are objecting to some of the policies carried out to open Japanese markets to foreigners.

It is unlikely that such policies will be put into reverse by either the LDP or any JSP-led government which might emerge. But there is every chance that the process of opening markets up further will slow, or even stall.

In particular, the Government will be reluctant to risk antagonising farmers by liberalising rice imports, even a little. This could jeopardise plans agreed jointly by the US, the European Community and Japan to put their agricultural policies on the table for discussion at the Uruguay Round of the General Agreement on Tariffs and Trade.

In addition, the LDP will not want to push small shopkeepers into oblivion by further promoting reform of the distribution system – a central demand of the US Administration.

There is also a real risk that Japan will no longer lie low in trade rows with the US. The FSX military aircraft to be developed under a US-Japan co-operation pact provoked demands in the US Congress for restrictions on the transfer of sensitive technology. The row would have been much worse if Japanese politicians as well as those in the US had gone public with their insults.

But, there is no road leading automatically from JSP victory to trade war. Commercial peace may prevail since it is not in Japan's interest to alienate the US – as Miss Doi has repeatedly made clear. The truth is that the West probably has little to fear in the long-term if Japan becomes a more democratic society. But it may have to wait patiently while Japan comes to terms with an era of change.

OBSERVER

One in five to the top

■ Here are some statistics for those aspiring to become – or perhaps ceasing to be – junior ministers in Mrs Thatcher's Cabinet. It is not necessarily a stepping stone to the top.

From 1945 to the end of Thatcher's term in 1983, 481 junior ministers were appointed. Of those, 84 were in the Lords. The average age on appointment of those in the House of Commons was 46, and the average time spent as an MP before the appointment was 7.3 years.

Only three of them were under 30, and one of those was Harold Wilson, who went to the Ministry of Works in 1945. There were two appointments in their seventies. Sir Peter Bennett, who did not become an MP until he was 60, went to the Ministry of Labour in 1951, but lasted only seven months. And, as a reward for long service, Prime Minister Wilson appointed Lord Mitchison to the Ministry of Land and Natural Resources at the age of 74.

Of all the junior ministerial appointments in the 1945-83 period, 73 per cent failed to rise any higher. On average they served three-and-a-half years before leaving office.

There are a lot more junior ministers than there used to be. In the entire period 1830-1914 the number rose from 11 to 15. Nowadays there are about 60.

The key statistic for the ambitious is as follows: about one in five junior ministers reaches the Cabinet.

No answer

■ What is the correct form for dealing with telephone answering machines? Friends who have them say that it is more than irritating if you ring off and leave no message. And if there have been (say) three such occasions, they are left wondering whether X, Y and Z have called or whether perhaps X has called three times. On the other hand, you don't always have much of a message to leave. So I think the answer is that answering machines should be used very *sparingly. Better to be simply* out.

Eurocycling

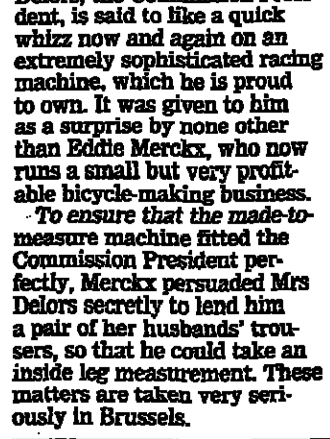
■ Twenty years ago this week Eddie Merckx became the first and only Belgian – so far – to win the Tour de France.

Yesterday, his fellow countryman, Karel Van Miert, the European Commissioner for Transport Policy, was dreaming up ways to make life easier for all cyclists in the Community. The message, if still a little vague, is that the Commission has their interests at heart.

Van Miert is due to declare the exact nature of the Commission's thinking about Europe's 320m actual and potential cyclists at an international cyclo-touring conference in Copenhagen in early September. The slight, 47-year-old Commissioner promises to *arrive at the conference on* two wheels.

Speaking from his car yesterday, Van Miert vowed: "The bicycle has an obvious role in transport, particularly in the context of our congested inner cities . . . I will support and encourage national and local administrations to take positive measures to make life easier and more pleasant for those who would like to use their bicycles."

Officials warn, however, that the Commission is not gearing up to produce anything like a common Community cycling policy. It is more a case of encouraging national governments to do something for their cyclists.



"Don't worry, there'll be enough shares for everyone."

Still, the message has support from the top. Jacques Delors, the Commission President, is said to like a quick whizz now and again on an extremely sophisticated racing machine, which he is proud to own. It was given to him as a surprise by none other than Eddie Merckx, who now runs a small but very profitable bicycle-making business.

*To ensure that the made-to-*measure machine fitted the Commission President perfectly, Merckx persuaded Mrs Delors secretly to lend him a pair of her husbands' trousers, so that he could take an inside leg measurement. These matters are taken very seriously in Brussels.

The Bank wins

■ A Bank of England economist writes: "The annual cricket match between the economics department at the Bank of England and the Treasury took place at the Bank's sports club in Roehampton on Wednesday evening. As with all such *encounters*, the game was hard fought, with the Bank coming out eventual winners by 24 runs.

"The game was particularly notable for the failure of the Treasury to produce a complete team. The Treasury captain explained that 11 players had set off for the game, but only nine arrived: rumours that the missing two had defected to City firms on the way to the ground were denied by official sources. In an *attempt to maintain* Bank/Treasury relations, two fielders were lent to the Treasury, one of whom managed to catch out the Bank's opening batsman. The afore-mentioned fielder was immediately offered a job at the Treasury, but due *to* government spending cuts the transfer fee demanded by the Bank was unable to be met.

"The game was marred by the inaccurate bowling by both sides, which led to wides accounting for about one quarter of the runs scored in the match – indeed many of the balls bowled were missing the stumps by a wider margin that the authorities were missing the money supply targets in the early-to-mid 1980s.

"The Bank would also like to report the 1-0 thrashing they gave the Treasury in the annual football match earlier in the year. The two results together mean 1989 has been a year of Bank supremacy over the Treasury not seen since 1988."

The full-scale match between the Treasury and the Bank, in which the Bank has occasionally been captained by the Governor himself, is due to take place at Roehampton on August 9.

Sleep tight

■ A reader recently in Istanbul reports that printed on the back of a Do Not Disturb sign in her hotel room was the advice: "If you hang outside your door our staffs will respect you. There will be no violation."

LETTERS

UK airports policy should be national

From Mr Graham Stringer.

Sir, On July 19 you published a report of the Civil Aviation Authority's plans to ease the problems of airports serving the London area, including the building of a new runway.

Curiously, you did not mention the report by the North of England Regional Consortium (NOERC) entitled Airports – the South East Conspiracy, which proved that the further development of the London airports system is unnecessary.

The views of the south-east based aviation lobby are well publicised and find favour with the Government. The views of the regions and their suffering passengers are ignored. NOERC's report shows that one-third of passengers using London airports have been forced there from other parts of the country. It also proves that Britain need not waste enormous sums of money on a fourth London airport or on extra runway capacity, and that extra terminal capacity at London airports is not needed before the mid-1990s at the earliest.

Why should we expand London's aviation system when everyone knows that it will be years before London is capable of fully exploiting the capacity of its existing system? We need a national airports policy which reflects the aspirations of the whole country, not just the south-east bias of the civil servant on top of the Clapham omnibus.

The Department of Transport must stop subjugating the interests of the regional traveller and regions themselves to those of the national airline. It is ridiculous that US airlines who want to operate from Manchester should have their applications refused or delayed because of unrealistic demands for entry points in the US by UK airlines.

By changing the price differentials which favour London airports, the Government could swing air traffic to the regions, where runways are ready and waiting to be used. This would take the pressure off Heathrow and Gatwick and would save enormous amounts of development work and cash.

Graham Stringer,
Leader of the Council,
Town Hall,
Manchester

Pensions could go back to basics

From Mr T.S. Shucksmith.

Sir, I was amazed by Colin Draper's suggestion (July 15) that democracy has anything to do with the management of pension schemes.

The interest of most pensioners begins and ends with the right to a member's pension and a widow's pension of a predetermined amount. The trustees of a scheme have an onerous responsibility under trust law to see that that pension is provided come what may.

Pensioners may have a hope of a discretionary pension increase, but in most schemes, in which the employer meets the balance of the cost of benefits, a discretionary increase is at the employer's expense, and for this reason no discretionary increase can be given without the employer's agreement. It is not for the trustees (let alone the members) to give away the employer's money.

It may be that pension schemes should be differently constituted so that all the assets belong (under trust) to the members and pensioners rather than to the employer. A final salary scheme does not have to be written on the basis that the employer meets the balance of cost and then has a key financial interest in the scheme.

T.S. Shucksmith,
Shucksmith & Co,
Nutley Lane,
Reigate, Surrey.

Commission disclosure

From Mr Brendon Glennon.

Sir, Your report (July 13) of the Consumers' Association comments on the proposed Securities and Investments Board (SIB) disclosure rules contains two impractical suggestions. In many cases the independent adviser will not know at the point of sale the amount of commission payable. So it is difficult to see how the amount could be disclosed in cash terms except as a very general indication.

More fundamental, how is the consumer to judge, even if the commission information is given at the point of sale, whether it is high or low? Unless commission is disclosed for all possible alternative deals, the commission information is meaningless.

The current yardstick – the Lautro (life assurance and unit trust regulatory organisation) maximum commission agreement – will be abolished at the end of this year. After that the only information available on general commission levels will be what is published in the press or other commentary. The consumer could try to find out the information from such sources, but comparisons in this area are notoriously difficult. So there will be no simple comparison to be made at the point of sale.

The virtue of giving commission information in a product particulars notice is that, when the full rules are in force, it will appear with details of charges and expenses, which include commission. The consumer wants to know how much in total is being taken out of the money invested to pay for charges and expenses, and therefore how much is left for investment.

The consumer has the right to pull out of the deal right up to the end, when a "cooling off" notice is issued. So why should receipt of commission information at a later stage than point of sale matter?

Brendon Glennon,
Life Insurance Association,
Chorleywood,
Rickmansworth, Hertfordshire

Rubbish goes round and round

From Mr A.C. Blackburn.

Sir, Peter Marsh's article on recycling plastics, "Chipping away at a mountain of rubbish" (July 19), makes very stimulating reading.

The feelings of antagonism towards plastic packaging stem from a perception in the public mind that it has more to do with the supermarket's convenience than with the purchaser's. Waste packaging is frequently very visible. Replacements for asbestos, lead, tropical hardwood and so on are remembered less because they seldom litter beaches and roadsides.

With perhaps as little as 40 years' oil reserves, recycling to extend product life is important. Prime quality articles can result from the selective reworking of industrial scrap. Municipal or domestic scrap is a more difficult problem as the polymers are generally intermixed. (I question whether the public will be interested in saving used meat wrappers and jam tart trays even if they could tell which was made from which plastic. Plastic bottles on the other hand could prove as re-workable as their glass counterparts.)

However, multi-polymer products are developing, generally, as timber and concrete substitutes. It will prove economically viable, I hope, to separate plastic from other waste at the post-consumer stage although the low value of the material will probably prohibit it being shipped any great distance for re-manufacture.

Where recycling is not viable, the best we can hope for is a sensible national look at the true overall costs of incinerating all forms of domestic refuse, using the plastic content to help maintain combustion, at the same time yielding useful by-products, particularly heat. With the right equipment, the emissions given off when burning all organic substances (whether plastic-based or not) will be controlled. The present utilisation of incineration is disgracefully low compared with many other European countries.

Peter Marsh's point about buried plastics taking a long time to degrade and thus acting as a methane barrier is a contentious one. Plastics still only represent about 7 per cent of all landfill, and will generally be well dispersed. Most landfill replaces mineral deposits which were there for an awfully long time, and I should have thought that the stabilising influence of a plastic content would outweigh the claimed "more serious" disadvantages.

The durability of plastics should be seen as an exciting challenge. In our company we have recycled material up to 20 times before degradation was too extreme. These features should be highlighted, not defended, by education at parliamentary and public level, and by lobbying for improved waste disposal techniques of all types.

A.C. Blackburn,
Klöckner Pentaplast,
Station Road, Theale,
Reading, Berkshire

Jessi should be worth it

From Mr A.J. Hicklenton.

Sir, You seem over-awed at the prospect of spending $4bn on Jessi (Joint European Submicron Silicon project, FT leader, June 21). But the figure is less awe-inspiring in its true context – spread over eight years and a large number of participating companies and consortia.

Moreover, we should look at the cost if Europe does *not* have a considered government-funded chip research programme. The "strategic industry" argument you reject on the strength of previous bad experiences has a particularly powerful force in the semiconductor industry; it should not be under-estimated.

The vertical integration of an electronics industry hinges on the chip industry, especially around high volume parts – that is, memories. From a technical point of view, no other product requires such a degree of transistor integration; it thus forces the supporting industries (equipment and materials) to develop processes and techniques to achieve this.

Europe is unlikely to increase its percentage share of the memory market. The opportunity to invest in high volume production technology was seized by Japan in the late 1970s, and Korea and Taiwan are taking advantage of their labour structures and low costs to follow suit. Europe lacks the US scale to attempt a "Memories Inc" project.

But the memory is an end product for Jessi, requiring manufacturing techniques which will encourage European chip manufacturers to remain technologically competitive. This in turn will allow Europe to apply its semiconductor technologies to areas where it already has strengths: mobile cellular radio; HDTV; automotive electronics; ISDN telecommunications.

Jessi must be the vehicle which carries the European microelectronics industry.

Andrew Hicklenton,
European Semiconductor,
361 City Road, EC1

Law in the sandwich

From Professor Peter Wallington.

Sir, Robert Rice's article (July 11) on recruitment to the legal profession records the results of a survey showing a relative lack of enthusiasm among students for work in the legal profession.

But one finding of the survey is that the most important factor in selecting a career, and choosing a particular employer, is direct experience through a vacation placement and other direct contacts.

This bears out experience at Brunel University, where all students in the law department undertake three extended work placements in the legal profession or the administration of justice.

They often return to the employers (for whom they have worked) for a 20-week period) on a permanent basis after graduating and qualifying professionally.

Those who have undertaken a degree course with practical work experience such as that at Brunel are also more attractive to potential employers because of their relevant skills and experience, and their demonstrated practical interest in the career.

Perhaps a wider recognition (and some expansion) of legal education based on the integrated (sandwich) model would make a modest contribution to easing the recruitment crisis in the legal profession.

Peter Wallington,
Law Department,
Brunel University,
Uxbridge,
Middlesex

Quality counts

From Mr Christopher Tate.

Sir, Noting the results of "marketing liberalisation" on medium-sized law firms, I must agree with your editorial's concerns ("Accountants in a panic," July 7) about mergers in the accountancy profession.

Lawyers, perhaps because so much of the process of business planning and strategic thinking has come to them afresh, have concentrated on assessing the needs of their clients, and then seeking to service those needs.

Size for its own sake is not seen by those law firms which have grown most successfully in the past three years as a worthwhile target.

Individual partner profitability, strength in selected areas of expertise, a willingness to listen to clients, and an intense focus on recruitment and training have all marked out the successful London law firm.

The experience of the marketplace has backed up this approach: clients have sought out excellence, and rejected the "big team, big fees" approach. But then lawyers, unlike accountants, have never had an annual excuse to fill up their clients' offices with hordes of partially trained 20-year-olds as a hook upon which to sell their higher margin products.

One day, especially as the mega-mergers continue, clients of large accountancy firms may decide it does not always have to be like that in "the other profession" either.

Christopher Tate,
McDonough Associates,
30 Queen Anne's Gate, SW1

The Litster case and the problem of insolvency

From Mr P.L. Davies.

Sir, I should like to raise two points about Mr Homan's article on the transfer of undertakings regulations and the House of Lords' decision in the Litster case (June 22).

First, his criticism of the correctness of the House of Lords' decision is misplaced insofar as it is based on the fact that the EC directive, to which the transfer regulations give effect in the UK, allows *some* forms of insolvency to be taken outside the regulations. No lawyer who has read the British regulations has found anything in them that excludes insolvent companies. Since article seven of the directive allows member states to introduce laws more favourable to the employees than the directive contains, there is no conflict between regulations and directive. In this situation it is the constitutional duty of the courts to apply parliament's rules, not to attempt to amend them.

Second, on the proposal for parliamentary amendment of the regulation, Mr Homan's argument does not go as far as he seems to think and does not obviously lead to the conclusion he advocates. His argument is that employees will suffer if receivers of insolvent companies can obtain more for a company's assets on a break-up, than on a going concern basis. In its own terms this argument is convincing only where this situation obtains: the going concern value of a company, even with the transferee taking on the liabilities for the employee, is not necessarily less than the break-up value. In Litster itself, where the corporate group as a whole was insolvent, the subsidiary that operated the business subject to the transfer was perfectly viable on a going concern basis. Since its significant operating assets were leased to it, it is doubtful whether it would have been worth more on a break-up basis.

In any event, if the argument is that the receiver should not have an incentive to break up the assets rather than to sell them on a going concern basis, such equality of legal treatment could be achieved by means other than taking insolvent companies outside the regulations. Perhaps a first charge (even ahead of the holders of fixed charges) on the monies received through a sale on a break-up basis should be the full statutory and contractual entitlements of the employees? This would remove the alleged incentive to the receiver to go for a break-up and give the employees protection in both situations.

But perhaps Mr Homan is not really concerned with maximising the employees' interests, but with shifting on to them more of the adverse consequences of an insolvency than they currently bear, to the benefit of creditors, especially secured ones.

But the appropriate distribution of entitlements among secured and unsecured creditors and employees raises larger issues.

Paul Davies,
Balliol College, Oxford

FOREIGN AFFAIRS

Enter the EC bridge builders

Robert Mauthner considers the Community's role in narrowing the divide with eastern Europe

The recent Madrid and Paris summits of the European Community and the seven leading western industrial countries have raised hopes that the Community, born 21 years ago, has also come of age in other respects. With the completion of its internal market at the end of 1992 and the decision that the first stage of monetary union should start on July 1 1990, the Community can justifiably consider itself to be on the threshold of economic adulthood. As if to mark that important milestone, the European Commission was given the present at the Paris summit of industrial nations of co-ordinating the West's aid to eastern Europe.

That gesture, and particularly its endorsement by the US, has been celebrated somewhat prematurely in Brussels and other western European capitals as confirmation that the political importance and weight of the Community has also at last been recognised by both the superpowers. Washington is seen to have joined Moscow in considering that the European Community as such should play a, if not *the*, leading role on the western side in bridging the divide between the two parts of Europe. But before too many champagne corks are popped at this remarkable development, it might be a good idea to examine whether the toddler has not been asked to run before he can walk.

Since its inception, the Community has suffered from a crisis of identity which continues to plague it today. The lively debate between the late President de Gaulle, the arch-proponent of a Europe of nation states, and European federalists such as Jean Monnet, Paul-Henri Spaak, Josef Luns and Walter Hallstein, is being pursued 25 years later by Mrs Margaret Thatcher and the leaders of other member countries. While it may be clearer now than it was in the 1960s and 1970s which direction the Community is likely to take – the British Prime Minister is much more effectively outnumbered than General de Gaulle was on the question of supranationality – the cement of the edifice has still not set. In other words, in deciding what form of relations to build with eastern European or, indeed, with other western European countries such as the members of the European Free Trade Association, the Community is still not certain about its own final shape.

When, if ever, will the Community have a common foreign and defence policy and what kind of institutional development would that entail? That is no longer just a subject for theoretical debate at a time when the whole relationship between western and eastern Europe, be it in the economic or security fields, is in the melting pot. The days when trade, political, arms control and human rights problems could be pigeon-holed separately, and dealt with accordingly, are fast coming to an end. It is no longer a question of negotiating simple trade agreements in a political vacuum, as in the past. The closer economic relations that some in the West are now proposing to forge with eastern Europe are openly linked to moves in reform-minded countries such as Poland and Hungary, not only towards economic restructuring but towards greater democracy and more individual freedom. Nor can they be separated from the general improvement in the East-West climate brought about by the progress that has been made in arms control, particularly the willingness of the Soviet Union and its partners to envisage big cuts in their conventional forces in Europe.

The Community has suffered from a crisis of identity which continues to plague it today

Because the Community needs to get its act together to deal with the multiple aspects of the new situation in Europe, recent developments in the Soviet Union and eastern Europe could act as a greater spur to political union within the EC than any internal pressure. But there is also a danger that eastern overtures to the Community could undermine its cohesion if its fundamental positions are not carefully prepared. For it is clear that neither the Soviet Union nor the other eastern European countries have fully understood that the Community intends to be more than just a convenient trading group based on geographical proximity, and has what is known in French as a "finalité politique" – a political goal. That has to be made clear both to western and eastern European suppliants alike, as much to safeguard the objective of a genuine European union as to avoid misunderstandings with those knocking on the Community's door.

As Mr Valéry Giscard d'Estaing, the former French President, pointed out in a typically Cartesian address at Chatham House recently, Mr Mikhail Gorbachev is one of the chief propagators of illusions about the future shape of a Europe embracing both its western and eastern halves. The Soviet leader talked in his speech to the Council of Europe in Strasbourg this month about the creation of an economic area stretching from the Atlantic to the Urals, as if he seriously intended to draw an economic frontier between European Russia and the rest of the Soviet Union. Equally confusing was Mr Gorbachev's statement that the Soviet Union saw its place within a united and democratic Europe, an idea which is inconceivable as long as his own premise that western and eastern European states will continue to belong to different social and economic systems, remains valid.

These and other siren songs of the same ilk must be firmly dismissed as unrealistic dreams. Mr Giscard d'Estaing hit the nail on the head when he said that Mr Gorbachev's concept of a "common European house" mixed up two separate historical developments on the European continent. The first was the construction of a union of western European states, destined to become a world power in its own right, and the second quite separate development was the healing of the rift between western and eastern Europe created by the Second World War.

Until eastern Europe fully embraces market economics and political democracy, any attempts to create structural links between the two areas, which could only inhibit the further political development of the Community, must be rejected. That does not, of course, rule out trade or economic agreements of a new type between the Community and individual eastern European countries, under which aid would be tied to specific steps towards the creation of market-oriented economies and other reforms. One such arrangement, the aim of which is to link the proceeds of food aid to Poland to agricultural reform, has been worked out by the Community. But the difference with the existing type of association agreements provided for by the Treaty of Rome would be that the new eastern European brand of accord would not involve any institutional links with the Community and would not aim to lead to EC membership at the end of the road.

The prospect of closer economic relations with eastern Europe makes it all the more urgent that western Europe should bridge its own divisions. It would indeed be ironic if agreements between the EC and eastern Europe were to be put in place before more substantial arrangements had been made between the EC and the Efta countries, which are all market economies and share the same pluralist political ideology.

What is lacking at the moment is an agreed concept of the future shape and characteristics of the European Community, which can be used by the Commission as a benchmark when working out arrangements with its Efta and eastern European partners. In both cases, the Community must be clear where it is heading, so that new external arrangements will not jeopardise its own internal development and ultimate political goals.

FINANCIAL TIMES
Tuesday July 25 1989

Indian summer of dramatic disunity

K.K. Sharma on the crisis caused by the resignation of opposition parties

AT THE stroke of 11 yesterday morning, when the marshal of the Lok Sabha (lower house of the Indian Parliament) announced the Speaker's entry, the benches occupied by the opposition parties on the left of the semi-circular sandstone chamber were packed.

Five minutes later they were empty, their dark green leather surface looking uncannily bare in contrast to the sea of jeering Congress-I members in the rest of the House. The Lok Sabha will look this way until it is dissolved, perhaps until its term ends in six months' time.

The opposition members had taken exactly five minutes to walk silently in single file to the Speaker and present him with their handwritten resignations, as required by the rules. They ceased to be members of Parliament as soon as the Speaker accepted the letters and, for the first time in India, there is no official opposition.

The event fulfilled their decision at the weekend to resign en masse, in protest at the refusal of Mr Rajiv Gandhi to resign as Prime Minister after the Comptroller and Auditor-General criticised the Government over the award of a $1bn howitzer contract to Bofors of Sweden.

Dramatic the opposition move may have been. Yet it was also deceptive, since it gave the false impression that the 12 parties taking part were united and had put aside their differences after tasting blood last week when they succeeded in blocking parliamentary proceedings.

Although Mr Gandhi is under severe pressure to dissolve the Lok Sabha and call elections immediately, because the House has been deprived of legitimacy, the opposition action does not basically alter the Indian political scene.

Parliamentary elections must be held before January 12 1990, when the present five-year term of the Lok Sabha ends. The main opposition parties have been trying for nearly a year to find a common basis to take part in the contest.

Indian opposition members leave Parliament House after their mass resignation yesterday

Although a national front of the three national parties and three regional parties was formed last August under the chairmanship of Mr N T Rama Rao, the actor turned politician who is now Chief Minister of the south Indian state of Andhra and who masterminded the mass resignation, the opposition parties remain disparate and divided.

Even on Sunday, when leaders of the 12 parties announced the mass resignation, the Bharatiya Janata (Indian People's) Party questioned whether the Janata Dal (People's Party) led by Mr V P Singh, considered by many Mr Gandhi's main rival, would hold together.

The BJP described the Janata Dal, formed mainly by former Congress members who quit the ruling party with Mr Singh over the Bofors issue, as "a condominium of diverse factions come together in an ad hoc manner."

The BJP and the Marxists have said they will have no truck with each other.

A one-to-one contest between the opposition parties and the Congress-I is widely considered essential for the latter to lose, as this party has always cashed in on a divided opposition vote. So far an understanding on electoral seat adjustments has eluded the opposition parties.

They continue to be as sharply divided in terms of personalities and policies as ever. The mass resignations yesterday were the first issue on which all have agreed.

The opposition aim is to dramatise the Bofors issue, which has plagued Mr Gandhi for more than two years. If Bofors and high-level corruption are the main issues on which the elections are contested, the opposition will undoubtedly gain.

The opposition parties will also try to show that Mr Gandhi has devalued and disregarded institutions such as the Comptroller, Parliament and the civil service, and press for early elections.

The success of the resignation will depend on the ability of opposition parties to keep corruption and related issues alive until elections are held. Although their strategy is to go to the people on this issue, they have formulated no plans on how to do it.

Mr Gandhi can be counted on to delay elections as long as possible and his party has already begun mounting its defence by attacking the opposition for delaying important legislation.

THE LEX COLUMN

A high-wire act from Reuters

Reuters has been one of the most spectacular performers in the FT-SE this year and, as a result, its rating is not much different from that of such high-fliers as Wellcome and Carlton Communications. A prospective yield of 2 per cent and a historic multiple of 25 times earnings is heady stuff; and as with Racal Telecom, persistent US buying in the face of steady UK selling underlines the very different valuations being put on this company.

US investors are still prepared to accord Reuters an earnings multiple not far short of the company's long-term growth rate and their confidence has been borne out to date. In the first half of 1989, Reuters' pre-tax profits rose by 32 per cent and it is now earning two thirds more than it did in the six months before the crash. The jump in operating margins to 23 per cent and the near doubling in interest receivable underscore the strength of the performance. Capital spending has been cut back, cash is piling up, and Reuters is still maintaining a remarkable grip on overheads for a company earning over 50 per cent net on capital employed.

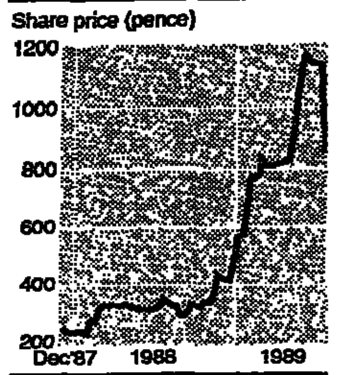
The big unknown is whether growth in earnings per share of 25 per cent plus can be maintained. Reuters is now far bigger than any of its rivals, which gives it considerable bargaining power, and has plenty of new products in the pipeline. But its current rating does not allow any room for accidents; and the sheer scale of its profitability by contrast with that of its customer base should make investors a little uneasy.

Electricity

The most surprising thing about Mr Parkinson's decision to make the taxpayer pay for Magnox is that he ever thought the costs could be pinned on the shareholder. Not only would the sponsors of the issue have baulked at putting their names to a prospectus with such a big open-ended liability. Investors would surely not have been drawn to a company carrying a decommissioning cost that might have approached the capitalisation of the entire electricity industry.

Uncertainty on the scale of Magnox may be incompatible with privatisation, but when it comes to the remaining nuclear power stations the Government judges – probably correctly – that the market can take it. The City is certainly not going to be enthusiastic about buying five AGRs, but making it assume the risks should be a simple matter of price. Privatising National Power is starting to look possible; some pretty favourable decisions on contracts and capital structure are still needed if it is to be successful.

Eurotunnel Units



Eurotunnel

Eurotunnel is beginning to look a little like the Humber Bridge: already costs are a third higher than forecast just three years ago, and there are still four years to notch up more impressive overruns still. Given that, and given the unhelpful way in which the company handled the news of the latest cost increase, it is lucky to have so many friends left. The shares may have fallen £2.50 in the last week, but are still almost three times the flotation price. It seems the market prefers to see Eurotunnel as a future M25 rather than a Humber Bridge. On the basis of GNP growth alone, the revenue forecasts are likely to be increased in October, and may well rise enough to repair the damage on costs. The rigidly mathematical valuation methods now do not look so scientific after all; and with both of the main variables so subject to change, it might be better to buy or sell according to whether one believes the rumours about Sir James Goldsmith selling shares.

Boots

Boots's little difficulty yesterday over Ward White seems partly a matter of City fashion. There has been an air of aggression among the institutions ever since the Magnet buy-out, and it has been sharpened by the bid for BAT. It is an open question whether Boots moving into DIY is at odds with what Hoylake terms "architectural purity". But it is clear that any institution which reproaches itself for passively allowing BAT to buy Eagle Star and Farmers will be the less tolerant of companies diversifying now.

The question is whether Boots/Ward White is the best case to pick on. Yesterday's revolt seems to have been confined to two institutions, speaking for 30 per cent of votes cast and 11 per cent of the equity. Those who own shares in a company because of what it does may well object to management spending borrowed money on learning to do something else. Indeed, those who bought Boots as a recovery stock and/or bid candidate may not relish it taking a step which may prove both dilutive and defensive. But it is a chancy business opposing the business decisions of a well-regarded management on a one-off basis. And if the market presently thinks Ward White worth 446p a share, why should Boots not buy it at 46p less?

Allianz

There were no prizes for predicting that Munich's insurance colossus would produce splendid 1988 figures. What remains worrisome is the suspicion that Allianz will find it well-nigh impossible to duplicate abroad anything like the excellence of its results at home. Allianz does not yet consolidate its accounts to include its life company, Allianz Leben, or foreign subsidiaries such as Italy's RAS. So yesterday's news of a 30 per cent jump in after-tax earnings testified mainly to the health of its German non-life operations, where a 44,000-strong sales force is a ring-fence protecting its franchise. Given that 40 per cent of its non-life premiums there come from motor insurance, the simple fact that regulators authorised a 6.6 per cent price hike goes a long way to explain Allianz's underwriting profits.

All this leaves the awkward question mark over the quality of the earnings Allianz can achieve elsewhere. Buying RAS was a coup, giving it 10 per cent of the buoyant Italian life market; but Allianz's shilly-shallying about which US insurer to acquire is a tacit admission that there is simply nothing worth buying across the Atlantic that will come up to its domestic standards.

EC plan to phase out Multi-Fibre Arrangement

By William Dullforce in Geneva

THE EUROPEAN Community yesterday presented its proposals for liberalising the $160bn world trade in textiles and clothing.

Its blueprint calls for the gradual phasing-out of the protectionist Multi-Fibre Arrangement, which currently governs trade in this sector.

However, it makes the dismantling of the MFA dependent on concessions from the exporting countries on a wide range of other issues under negotiation in the Uruguay Round, such as the elimination of special treatment for some developing countries, improvements to Gatt anti-dumping and anti-subsidy rules, and the protection of intellectual property.

Brussels is the first to submit a comprehensive and detailed response to the trade ministers, who, when completing their mid-term review in April, instructed that agreement should be reached by the end of the Round for the integration of textiles and clothing into the General Agreement on Tariffs and Trade.

A central EC demand is that greater access to industrialised markets for textile imports must be paralleled by a strengthening of Gatt rules and disciplines in several key areas.

Integration of the MFA into Gatt would be gradual with a special body to monitor that commitments in each direction were synchronised.

The MFA is due to expire at the end of July 1991, but the EC argues that it would be impossible to make the textiles trade subject to all Gatt rules immediately from August 1, 1991.

MFA member states must meet, under the terms of the arrangement's constitution, before the expiry date to consider how to continue or to modify the arrangement.

It is likely the EC proposals will prompt criticism from developing countries as well as from US textile manufacturers

Textiles compromise, Page 6

Uno's resignation sparks new crisis for beleaguered LDP

By Stefan Wagstyl in Tokyo

JAPAN'S ruling Liberal Democratic Party, which suffered a crushing defeat in national elections on Sunday, began the hunt yesterday for a successor to Mr Sousuke Uno, the Prime Minister, who announced his resignation.

The crisis-stricken party, attempting to regain the confidence of the Japanese people, has an acute shortage of strong and unsullied leadership candidates. It faces a serious challenge from the strengthened Japan Socialist Party, which was the big winner in the election.

Among possible successors to Mr Uno, who will quit as soon as a new prime minister is chosen, are several party elders, including Mr Masayoshi Ito, 76, a former foreign minister, who has a 'Mr Clean' reputation, but has rejected previous approaches on grounds of ill-health.

Younger leaders have mostly been ruled out because of their involvement in the Recruit financial scandal, though Mr Ryutaro Hashimoto, the LDP's 53-year-old secretary general who was the party's most prominent campaigner in the election, has some support.

The party lost its majority in the upper house of the two-chamber Diet in its biggest electoral failure in more than 30 years. It will retain control of the Government through its majority in the more powerful lower house. However, parliamentary business may prove more difficult, as the JSP has been strengthened, winning 46 seats to the LDP's 36. Analysts have suggested that the ruling party might be forced to call an early general election to acknowledge the scale of its defeat.

Miss Takako Doi, chairman of the socialist party, hailed the result as a great victory. The JSP, along with other opposition parties, called for an early general election and prepared plans for a bill to abolish the consumption tax.

The LDP lost the election primarily because of the introduction of this controversial tax, as well as the Recruit financial scandal, the unpopular liberalisation of agricultural imports and a sex scandal involving Mr Uno and a part-time geisha.

Red-eyed through lack of sleep, Mr Uno declared at a morning press conference that he alone was to blame for the defeat. He took office less than two months ago following a month-long search for a successor to Mr Noboru Takeshita, who quit over Recruit.

Half the seats in the 252-member upper house were at stake in Sunday's election. The LDP needed to hold 54 to keep its majority and won 36. It remains the single largest party – with 109 seats – because of the uncontested seats it holds.

The JSP, which is second with 67, will need to rely on an alliance with smaller parties to maintain the pressure on the LDP. While the opposition is pledged to unity, arguments about tactics are just below the surface.

The only other group to do well was Rengo, the umbrella organisation for private sector unions, which fielded candidates in a national poll for the first time. Eleven of its 12 candidates won seats. Rengo's campaign highlights a new-found willingness among trade unions to become more active in politics. Its main role is likely to be to try to keep together the anti-LDP alliance.

Women won 20 seats, more than ever before, including 10 for the JSP, which promoted women candidates in its campaign, led by Miss Doi.

Business leaders were as shocked as the LDP itself by the extent of the defeat. They said they wanted to discuss economic policies with the JSP and Rengo. Mr Eishiro Saito, chairman of Keidanren, the large employers' organisation, said the LDP's defeat was regrettable.

Officials in government ministries were also privately dismayed by the LDP's defeat. The Ministry of Finance is particularly concerned because it was a major architect of the consumption tax which the opposition wants to abolish.

The Ministry of Health and Welfare is worried that a bill to raise the pension age might be blocked. Bureaucrats have more than 30 years experience of working with the LDP.

In the Tokyo stock market, prices rose slightly following the announcement of the poll result. The Nikkei index closed above 34,000 for the first time in two months, at 34,093.38.

Paying the price of disillusion, Page 14

US hails Mexican debt scheme agreement

By Peter Riddell in Washington and Richard Johns in Mexico City

AGREEMENT between Mexico and its commercial bank creditors on a debt reduction package was a major step forward in the implementation of the US Administration's debt initiative, Mr Nicholas Brady, Treasury Secretary, said yesterday.

The agreement with the 15-member bank advisory committee, representing over 500 commercial creditor banks covering $52.6bn of Mexico's $100bn outstanding foreign debt, was announced late on Sunday night. It followed weekend talks at the US Treasury suggested by Mr Brady to resolve the remaining problems.

It will be several months before the deal can become effective. Details must be finalised, and the approval sought of the 500 creditor banks. Because banks will be offered three options, including the possibility of making new loans, the amount by which Mexico's debt will be reduced is not yet known.

While welcoming the deal, Mr Carlos Salinas de Gortari, Mexico's President, cautioned that economic recovery would be slow to follow, and that the country must continue its austerity programme.

The agreement is an important victory for Mr Brady and his debt reduction plan for Third World countries which he introduced in mid-March.

The US Treasury hopes that rapid progress will now be possible in discussions on debt reduction involving Venezuela, Morocco, Uruguay, Brazil and the Philippines.

The agreement with Mexico includes so-called recapture provisions, under which the country will pay more to its bankers if oil revenues rise, and the synchronisation of the bankers' agreement with the provision of extra resources totalling $7bn over three years by the IMF, the World Bank and Japan.

Background, Page 3; Editorial Comment, Page 14

Soviet miners make demands on Party

Continued from Page 1

almost funereal silence, the miners' deputies attacked at the party and trade union bureaucracy which had stifled the demands of their electors for so many years.

A delegate from Chelyabinsk, in the industrial heart of the Ural mountains, called for members of the strike committees to be summoned to Moscow to put their case to the Supreme Soviet.

"My people don't understand what we are doing here," he said. "They don't approve of us dealing with the Council of Ministers for one month, while these events are taking place and the economic situation is getting steadily worse."

He called for an emergency law on strikes and for the dismissal of Mr Mikhail Shchadov, the Coal Minister.

Mr Boris Yeltsin, the rebel former Politburo member, said the miners' demands were both political and economic. The situation in the country testified to a crisis in society, and in the ruling party, he said.

As for Mr Gorbachev himself, he appealed yet again for the miners to go back – as they seem already to be doing, albeit slowly. But he also sought to identify with their demands for an acceleration of perestroika, and for a radical shake-up in the power structure of the country.

He promised more cash for the lowest-paid, including a donation of Rs500m from the funds of the Communist Party.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	29	84	Dubrovnik	S	28	82	Malta	S	31	88	Rhodes	S	28	82
Algiers	S	33	91	Edinburgh	S	21	70	Manchester	S	25	77	Rio de Jo	-	-	-
Amsterdam	S	25	77	Faro	S	27	81	Manila	F	35	95	Rome	S	33	91
Athens	S	31	88	Florence	S	32	90	Melbourne	C	13	55	Salzburg	S	29	84
Bahrain	S	38	100	Frankfurt	T	26	79	Mexico City	F	28	82	San Francisco	F	11	52
Bangkok	F	32	91	Funchal	F	25	77	Miami	F	29	84	Seoul	C	26	79
Barcelona	F	29	84	Geneva	C	29	84	Milan	F	29	84	Singapore	-	-	-
Beirut	-	-	-	Gibraltar	S	31	88	Montreal	S	23	73	Stockholm	F	26	79
Belfast	S	25	77	Glasgow	F	25	77	Moscow	C	16	61	Strasbourg	T	27	81
Belgrade	S	29	84	Guernsey	S	22	72	Munich	S	28	82	Sydney	F	11	52
Berlin	C	18	64	Helsinki	F	21	70	Nairobi	C	17	63	Taipei	C	33	91
Biarritz	C	22	72	H. Kong	F	30	86	Naples	S	32	90	Tangier	S	26	79
Bombay	R	25	77	Innsbruck	F	26	79	Nassau	C	33	91	Tel Aviv	S	31	88
Bordeaux	F	24	75	Inverness	S	20	68	New Delhi	F	34	93	Tenerife	S	29	84
Brussels	S	27	81	Islamabad	C	29	84	New York	S	25	77	Tokyo	S	30	86
Budapest	R	23	73	Istanbul	S	27	81	Nice	R	26	79	Toronto	S	23	73
B. Aires	C	12	53	Jakarta	F	30	86	Nicosia	S	32	90	Tunis	S	38	100
Cairo	S	34	93	Jersey	S	26	79	Oporto	S	24	75	Valencia	S	30	86
Cape Town	S	17	63	Jo'burg	S	15	59	Oslo	S	25	77	Venice	S	28	82
Caracas	R	26	79	Lima	C	18	64	Paris	F	25	77	Vienna	F	28	82
Casablanca	S	29	84	Lisbon	S	25	77	Peking	S	33	91	Warsaw	F	23	73
Chicago	S	21	70	London	S	27	81	Prague	F	23	73	Washington	S	27	81
Cologne	F	27	81	Los Angeles	C	18	64	Reykjavik	F	12	54	Zurich	F	28	82
Copenhagen	F	25	77	Luxembourg	S	26	79								
Corfu	S	32	90	Madrid	F	31	88								
Dallas	-	-	-	Majorca	S	30	86								
Dublin	S	24	75	Malaga	S	31	88								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

NatWest directors pressed to resign

Continued from Page 1

affair, but said it would stick to its original timetable of making a public statement by tonight.

Mr Nicholas Wells, the corporate finance director at County who was responsible for Blue Arrow's disastrous £837m ($1.4bn) rights issue two years ago, resigned from his new employer, Barclays de Zoete Wedd, yesterday.

NatWest confirmed that Mr David Reed, head of County's corporate finance department, resigned on Friday. Mr Reed was Mr Wells' superior and, beside him, the executive most heavily criticised.

Following Mr Reed's departure, the three main board directors are the only people criticised in the DTI report who remain in the NatWest group.

A further resignation, of Ms Elizabeth Brimelow, County's former compliance director now in charge of compliance at Charterhouse, is expected today.

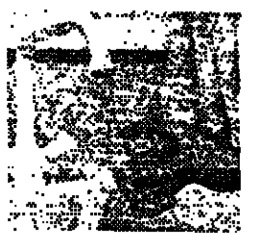
The resignations of Mr Wells and Mr Reed also put pressure on Mr Christopher Stainforth, a corporate finance director of UBS Phillips & Drew. He is the only member of the "inner circle" of corporate financiers involved in the Blue Arrow affair still to hold on to his position. The fourth member of the circle, Mr Martin Gibbs, also of UBS Phillips & Drew, has since retired.

All four men – Wells, Reed, Stainforth and Gibbs – deliberately misled the market and their conduct "fell well below that to be expected from responsible executives", said DTI inspectors.

هكذا من الاصل

SECTION III

FINANCIAL TIMES SURVEY



The flotation of the 10 water authorities in England and Wales will be the most complex privatisation yet, writes **Richard Evans**. The public opposes it and some City analysts are sceptical. Even so, water will in future be an efficient and high-technology industry.

Morning departure: anglers prepare for a day's fishing on Chew Valley lake, one of Bristol Water's major reservoirs

The Water Industry

CONTENTS

Editorial Production: Martin Davies

Coming to the boil

THE GOVERNMENT has succeeded in clearing the way for the privatisation of the 10 water authorities in England and Wales, with the steamrollering through parliament of the Water Act. Now comes the hard bit. It has to sell the new public limited companies to the investing public.

The legislation has been the central plank of a raft of changes over the last five years that have jolted a key but alarmingly low-profile, secretive and fragmented industry into the forefront of the political arena.

It has been an unnerving but challenging experience and, despite waves of adverse and often unfair publicity, it has left the industry much more efficient, more aware of its importance and its value, and more prepared for change.

The privatisation programme, which has dominated everything else in the last two years, has been kept on schedule despite numerous hurdles, including unrelenting political opposition, stubbornly hostile public opinion polls, running battles with the European Commission on quality standards, and an invasion of the statutory water companies by French predators.

Nevertheless, barring unforeseen accidents, the flotation of all 10 authorities will go ahead as planned in November in what will be by far the most complex privatisation attempted so far.

At the same time, the 29 statutory water companies, which supply a quarter of the country's water but have no sewage functions, will come under the same regulatory regime and will have the option of converting to plc status.

The issue itself will be unprecedented, in that it will be a simultaneous flotation of all 10 authorities involving an "exploding" share principle. Individuals will be able to apply for shares in any one company, but institutional investors will be obliged to buy a package of shares in all 10 before these can be exploded out into constituent parts. The purpose of this unusual mechanism is to ensure that every company is fully subscribed, rather than risk heavy oversubscription in some cases and embarrassing flops in others.

Success for the flotation, estimated to be worth between £5bn and £7bn, is vital for the Government, as it will affect sentiment for the much larger sale of the electricity industry scheduled to start next spring.

So far, the Government, to the deep frustration of the industry, has signally failed to win the public relations battle over water privatisation. Opinion polls show an alarming 70 per cent opposed to the sale, with scepticism among some City investment analysts.

All this could change, however, with the launch from early September of a carefully-scaled series of campaigns to market the privatised authorities. Generous "loyalty" bonuses are planned for those holding stock for a period; but it will not be possible to offer reduced bills to shareholders, as happened with British Gas and British Telecom, because of more complex and less uniform billing procedures in the water industry.

The message will be that the companies will make an attractive, secure investment with a generous yield of around 8 per cent, some prospects for growth, and for diversification into areas like waste-disposal, plumbing services, overseas consultancy and tourism.

The possibility that only 51 per cent of the authorities will be sold initially has not been ruled out, but a 100 per cent sale is more likely, since the Government might not want to repeat the expense and aggravation of the issue; and to sell just over half would make renationalisation by a Labour administration too easy.

Although the unaudited accounts of the authorities for 1988-89, the last before privatisation, were published earlier this month showing a steady if unspectacular increase in turnover and operating profits, too much significance should not be read into them, as they bear little resemblance to the structure of the balance sheets on flotation. Too many factors crucial to investment judgments have yet to be decided.

All the authorities and the statutory companies have submitted detailed asset management plans to the Government's advisers, Deloitte Haskins & Sells, setting out investment proposals for the next 20 years. The battle between civil servants, authority and company executives and an army of advisers – to decide on the basis of these submissions, the capital expenditure programmes, the extent of balance-sheet restructuring and debt write-off, and, most important, the charging formula – is now in its final stages.

The outcome will be crucial, both for the success of the flotation and for the success of the individual authorities and companies in the new privatised regime. Most of the decisions are due at the end of the month or during August.

Countdown to privatisation

July 6	Water Act received Royal Assent
Late July	Authorities and statutory companies receive K factors on charging
August	Authorities' accounts restructured
September 1	Vesting Day
September 6	Launch of flotation marketing campaign
November 1	Publication of pathfinder prospectus
November 21	Pricing meeting
November 22	IMPACT DAY
November 29	Prospectuses available
December 6	Offer closes
December 12	Basis of allocation announced and dealings start
December 20	Posting of documents of title

Balance sheets will be restructured and the offer price pitched to ensure that shares in all 10 authorities are attractive. Debt will be taken off some authorities, like North West, Northumbrian and Yorkshire, and loaded on to others such as Thames which is virtually debt-free. The purpose will be to make all 10 as near equal as possible as they enter the private sector.

The assumption is that most of the industry's £5.5bn debt will, in fact, be written off, as the privatised companies would be incapable of servicing this as well as paying for big improvement programmes and shareholders' dividends. Charges are already set to rise sharply to pay for better quality water, cleaner rivers and improved beaches.

The biggest conflict is over a search for a compromise on the charging level that will be allowed. This will be based on a formula of the retail prices index, plus a factor called K. The Government and its advisers have been pushing for a relatively low K figure of 3 to 4 per cent above inflation, as this would have the political advantage of limiting price rises after privatisation.

But industry leaders argue that, given the huge amount of capital spending required to improve the infrastructure and to meet the European Commission's stringent quality standards, a much higher figure of between 8 and 15 per cent should be allowed.

Inevitably, a compromise of around 5 to 8 per cent seems likely, although each authority and each statutory company could have a different K factor for each year of a 10-year period. A high K factor will be beneficial to investors, as it means more capital expenditure costs can be passed on in charges.

Crucially, companies will also be allowed to charge extra, should new environmental obligations be imposed on them under the so-called "cost pass-through" provisions. These will apply to the costs of installing metering, which some authorities are considering as an alternative to the rates.

Central to the interests of both investors and consumers will be the role of Mr Ian Byatt, the recently appointed director general of water services. He will be responsible for ensuring that the core utility subsidiaries can fund and carry out their primary functions – the supply and disposal of water. Balanced against this is his responsibility to protect the consumer from unjustified price increases and deteriorating standards.

Mr Byatt is one of a number of regulators – together with the National Rivers Authority, which will monitor water pollution; the Environment Department, which will retain responsibility for drinking water quality; and the Pollution Inspectorate – that will make the water plcs the most regulated companies the UK market is likely to see. "Very tough, but liveable with," is the industry verdict.

There are big differences between the Government and industry leaders on the capital investment needed to bring the water and sewerage businesses up to acceptable domestic and European Community standards. The Environment Department appears to be working on a figure of £6bn, while the industry's arithmetic points to anything between £12bn and £15bn.

A great deal still depends on the fraught negotiations between Mr Nicholas Ridley, Environment Secretary, and Mr Michael Howard, Water Minister, and Mr Carlo Ripa di Meana, the tough Environment Commissioner, over relaxation of the legal timetable under which Britain must comply with European directives.

The Commission is still pushing for full compliance with the drinking water directive by 1993 – two years before Mr Ridley and the industry believe compliance is feasible, both on cost grounds and because of the stretched capacity of the construction industry.

The argument will need to be settled before flotation, so that the authorities can include an accurate picture of future investment requirements in their prospectuses.

Water has traditionally been a cheap and greatly undervalued commodity, but circumstances are changing fast. Whether privatisation comes about or not, the water industry of the very near future will be an efficient, high-technology industry charging premium prices for premium goods.

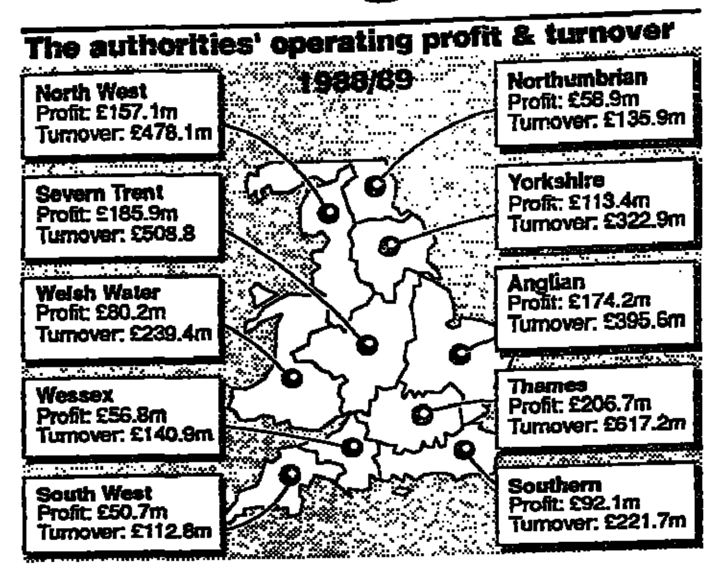
The Government's aim is to make the 10 authorities equal as they wait to enter the private sector

Past balance sheets are unsound guides

Ashley Ashwood

Aperitifs on tap: the chairmen of the 10 authorities, from the left... Dennis Grove (North West); Sir Michael Straker (Northumbrian); Bernard Henderson (Anglian); Keith Court (South West); Gordon Jones (Yorkshire); John Bellak (Severn Trent); Nicholas Hood (Wessex); Roy Watts (Thames); William Courtney (Southern); John Elfed Jones (Welsh)

The authorities' operating profit & turnover



Some authorities have obvious advantages, and others drawbacks which capital restructuring will not disguise. **Richard Evans** appraises the candidates for privatisation

A FINAL judgment on the respective merits of the 10 water authorities will have to await the completion of negotiations on capital structures, and the future charging formula to be used after flotation.

All the authorities have very different characteristics, based on local geography and geology, population distribution and growth, the historic impact of industry, management capability and many other factors.

Past balance sheets cannot be used as an accurate indicator of performance in the private sector, because of the proposed redistribution of debt, which will mean withdrawing it from some authorities and adding it to others.

The intention is to make each authority as equally attractive as possible, in order not to have some oversubscribed and others left with the underwriters, and to give them the same opportunities on the starting blocks.

The possibility that only 51 per cent of each authority will be sold initially has not been ruled out. The sale of 100 per cent is more likely, however, as the Government will not wish to repeat the expense and aggravation of the issue; and to sell only 51 per cent would make subsequent re-nationalisation by an incoming Labour administration too easy.

Some authorities do have obvious advantages, and others drawbacks which the capital restructuring will not disguise, however; and these will form an important element of the investment judgments which will have to be made both by individual investors and by institutions.

Here is a brief assessment of the authorities:

ANGLIAN: Largest area, from the Humber to the Thames, with aunique mix of challenges. Lowest rainfall in the country; flat terrain leading to high pumping costs and low dilutive powers of rivers; intensive agriculture resulting in potentially big nitrates problems; some bathing beaches need to be brought up to standard.

But it has the fastest-growing population in the country, which will be an advantage now that developers pay connection costs; its residents are used to high charges; there is a modern infrastructure with an extensive telemetry system; and the management is politically astute. Diversification plans are well advanced.

NORTHUMBRIAN: One of the smallest authorities, but with well deserved reputation for efficiency, achieving a high level of service with low household bills; energetic new managing director; ample water resources, because of construction in 1970s of "white elephant" Kielder reservoir. This has led to low net profits because of high borrowings, but this could change.

Heavily dependent on industry, but signs of recovery. Underground assets in good repair, and good clean-up work done on Tyne, but work still needed on Tees; and 10 out of 19 bathing beaches need to be cleaned up. Acquisition by Lyonnaise of two big statutory water companies in area a big tactical blow.

NORTH WEST: Third in size, but biggest capital expenditure programmes to cope with huge infrastructure problems and rivers, especially the Mersey. Big leakage problem but ample water resources from Lakes. Some quality problems, though, with high lead concentrations and peaty-coloured water. Quality of bathing beaches poor, with 20 out of 30 failing to comply with EC regulations.

Often regarded as hardest of all to sell, but management has proven record of ability to manage major schemes on time and within budget. Big vote of confidence from recent £75m Malaysian contract. Further substantial diversification planned.

SEVERN TRENT: Second biggest authority, serving 8m. Landlocked, so no problem with sea outfalls and bathing beaches, but also no cheap sludge disposal at sea. Topography problematic with conurbations near headwaters of slow-moving rivers with high amenity value, so effluent discharges must be very strict. Second biggest nitrates problem after Anglian, and many iron mains need lining.

But, in general, fewer problems than average; low charges; and long-term strategies in place for core activities and diversification. An aggressive management with competitive attitudes.

SOUTHERN: Affluent area with high growth, so demand for water increasing. High-quality aquifer water, so treatment costs low. Rivers in excellent condition and virtually no nitrate problem. High-quality telemetry, and keen on preventing leakage and introducing metering. Keen on diversification.

Beaches a big problem, and 10 long sea outfalls under construction or planned. Total cost of getting all beaches up to EC quality by 1995 (£230m) highest of any authority. Another strategic problem is the French, who have captured four of the six statutory companies which supply nearly half the population.

SOUTH WEST: Smallest of the 10 in population terms, but big tourist influx in summer. Acute shortages in past, but new reservoir due for completion next year should solve problem. Widely dispersed population adds to distribution costs. Some water quality problems from farm pollution and unlined iron mains, plus some beach problems in an area where tourism is vital.

The authority has received a public relations clobbering in recent months, following a series of accidents, particularly the Camelford spillage of aluminium sulphate. Determined to regain good image, but bound to affect sentiment.

THAMES: By far the biggest of the 10 in terms of turnover, profit, population, water supplied and sewage disposed of; and regarded as the jewel in the privatisation crown. Turnover represents 20 per cent of the industry total, although it has lowest charges. Unknown factor is capital restructuring as it is unlikely to remain debt free.

Completion of ring main in 1996 will solve resource problems and release land. Good water quality, although some nitrates and iron pipe lining problems. Due to size, Thames has considerable scientific expertise and experience in handling large contracts, plus sophisticated billing system. Aggressive management started diversification plans with purchase of Portals water treatment business. Could be big opportunities in property development and waste disposal.

WELSH WATER: Strong national identity with special protection from takeover. Abundant water offset by fair share of problems. Population concentrated in industrial south, so distribution costs high. Some water quality problems with colour, iron and manganese, and bathing beach problems involving building of long sea outfalls.

Used to be seen as old fashioned and inefficient, but greatest strength now is capable management team of spirit. Industrial base in south reviving fast; some diversification plans involving tourism, leisure and salmon farming.

WESSEX: One of the smallest authorities, but with fast-growing population. Very high quality water supplies and very progressive policies on telmetry. River quality high, but capital expenditure required on long sea outfalls to improve beaches.

Efficient management well regarded by outside observers, and plans advanced for up to 50 per cent of profits from non-core businesses within five years. Biggest problem is lack of population and fact that two biggest centres, Bristol and Bournemouth, are controlled by statutory companies.

YORKSHIRE: Big capital spending plans under way, to cope with inheritance of industrial revolution and to ensure future supplies. Rivers in south and west heavily polluted, and water quality affected by discolouration. But only two out of 22 beaches failed to reach EC standards.

Problems have been highly publicised, which could result in high, beneficial K figure. Cautious but well thought out approach to diversification, which could produce 20 per cent of profits over five years. Local economy recovering fast after some very lean years.

Andrew Hill considers the future of the 29 statutory companies, already in the private sector

An opportunity to throw off their shackles

CHOLDERTON and District Water Company supplies water to 2,500 people in six hamlets near Salisbury, covering an area of some eight square miles. Thames Water Authority serves a population of 11.6m across 5,100 square miles from London to Swindon, Banbury to Crawley.

Yet both are affected by the Government's water privatisation legislation, and both will be regulated in the same way after the November flotation of the water authorities.

This is just one indication of the difficulties which the Government has faced over the last 12 months in preparing the whole water industry for privatisation.

There are 29 statutory water companies in England and Wales, supplying water to 25 per cent of the population. They do not dispose of dirty water, which is dealt with by the authorities in areas where clean water is supplied by the companies. Cholderton is the smallest – and unique among the 29, in that one cannot buy and sell its shares.

The other 28 are already in the private sector, the residue of Victorian enterprise which established them in the 19th century. The companies were untouched by successive bouts of legislation – most recently the 1973 Water Act which established the 10 authorities.

Statutory water companies are strictly regulated by the Environment Secretary; their dividends are fixed, and shareholders' voting rights are often severely restricted. Surplus profits, both from operations and from land sales, have to be passed through to consumers in the form of lower water charges.

The residue of Victorian enterprise in the 19th century

As it privatises the 10 water authorities, the Government is offering the companies a chance to throw off their statutory shackles and convert to public limited company status.

One suspects that the Environment Secretary, Mr Nicholas Ridley, and his Government colleagues will be pleased to see the companies put on a footing with the rest of the water industry.

In the last 12 months the companies have raised several problems for Mr Ridley as he has negotiated the rapids of water privatisation; most notably:

■ The connection between water charges and privatisation; and

■ Overseas investment in the water industry.

Critics of the Government's policy argue that both snags should have been anticipated. As it was, they say the Department of the Environment had to act after the event to limit the damage.

It was only when several statutory companies warned of major price rises earlier this year that the Government, scalded by the implication that privatisation would hurt the consumer, called in water company chiefs for emergency negotiations.

After discussions with Deloitte Haskins & Sells, the Government's accountant, some price increases were scaled down. The average rise at water companies this year came out at about 25 per cent – with the range from 10 per cent to 42 per cent.

The problem of overseas investment in the industry bubbled under the surface for longer.

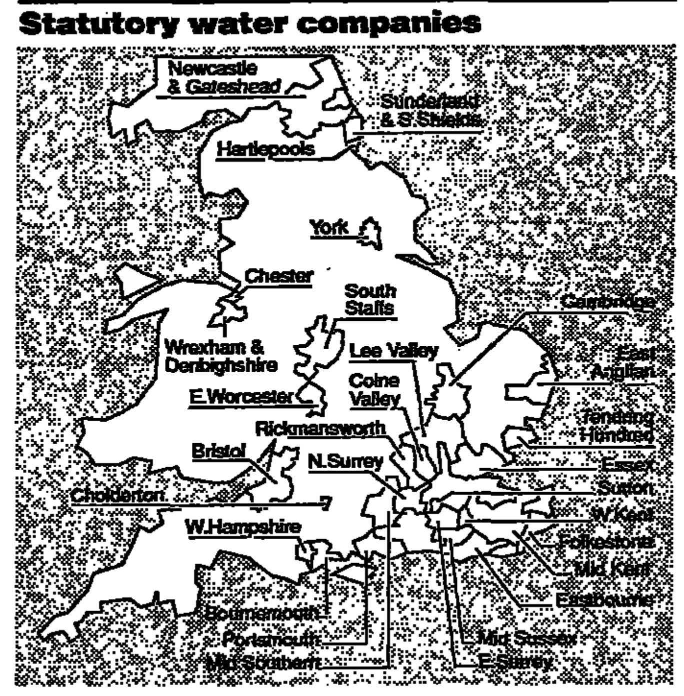
French water suppliers – which, in some cases, have been in the private sector for longer than the statutory water companies – spotted the potential of the British water industry's private sector well ahead of anyone else.

They started to buy stakes in the 29 companies two years ago, pushing up share prices to more than 10 times their value in 1987, when few investors even knew the companies existed.

Last June, one of the three French suppliers, Lyonnaise des Eaux, launched the first bid by a French company. Its agreed offer for Essex Water Company, Britain's largest statutory water company, was quickly followed by a recommended bid for East Anglian.

In all, there have been 15 recommended bids for water. companies – four each from three French groups and three from Biwater, a private UK water contractor which was the first to mount an offer in March 1988.

Statutory water companies



But it was not until the beginning of this year that the Government acted on its concern that further bids would jeopardise the concept of comparative competition – one of the planks on which water privatisation is founded – by reducing the total number of water businesses in England and Wales.

In January, the DoE announced that any future bids for water companies with assets valued at more than £30m would be referred automatically to the Monopolies and Mergers Commission, and said the water authorities would be protected from takeover by a government shareholding for five years after privatisation.

So how does this leave the statutory water companies as they face a new privatised culture in the industry?

According to the Water Companies Association, which represents all the statutory companies except Cholderton, there are 12 companies with fixed assets worth more than £30m, and 17 smaller unprotected groups.

Early this year, Southern Water Authority made an unsuccessful foray into the sector, with unsuccessful bids for two of the smaller water companies, in competition with the French.

But Mr Michael Swallow, director and secretary of the WCA, thinks that fears that newly-privatised authorities will gobble up their smaller neighbours have diminished. "From what I can see, almost all of the companies have made arrangements to secure their future, mainly by shareholder agreements or understandings – or because they are already owned by somebody else," he says.

Some statutory companies which are still independent, have gone further. Mid Kent Water, for example, has managed to sidle into public limited company status ahead of its counterparts by forming a new plc, Mid Kent Holdings, shares in which were exchanged for statutory company stock. In April, Mid Kent became the first water utility to become a plc, and to see its shares quoted on Stock Exchange screens.

Bristol Waterworks Company is one of four of the larger statutory companies in which rival French companies still have large stakes. It has combined recent issues of stock to local consumers and employees with a marketing push to rival the national advertising campaign for the authorities. Bristol is confident that it has raised its profile in the region, outdoing the local water authority, Wessex.

That said, there are still concerns about whether the companies will find themselves on a "level playing field" with the authorities.

In particular, statutory companies are worried that the Government will write off the authorities' debts and offer incentives to possible shareholders. That could leave the companies looking less attractive to investors and depress their share prices.

Twelve are said to have fixed assets worth more than £30m

But after a year or more of wrangling with the Department of the Environment, Mr Swallow is sounding happier with the position he and other company representatives have negotiated with the Government.

"The department has shown a great willingness to understand our particular point of view and our suggestions for solving problems," he says. "And there's a feeling of cautious optimism about the future."

■ Mr Michael Swallow, director and secretary of the WCA, thinks that fears that newly-privatised authorities will gobble up their smaller neighbours have diminished
Picture: Trevor Humphries

■ Bristol Waterworks Company has combined recent issues of stock to local consumers and employees with a marketing push to rival the national advertising campaign for the authorities

French investors have bought 12 UK water companies. Why their interest? **Andrew Hill** explains

A long view from across the Channel

AT FIRST it was cause for a pun (Eau La La!). Then it was cause for concern. Finally, it was cause for government action.

French investors in the UK water industry came quietly, stalking the 29 statutory water companies, a sector of the stock market which few British investors even knew existed.

In June 1987 Cementation SAUR – a joint venture between two construction groups, Trafalgar House of the UK, and Bouygues of France – revealed it had built up a 22 per cent interest in Rickmansworth Water Company, which counts Heathrow airport among its more prestigious customers.

The alliance between Trafalgar House and SAUR, Bouygues' water services subsidiary, later broke up.

Water companies are among the biggest groups quoted on the Paris stock exchange

But two years after the giants first ventured into the Lilliputian world of the statutory water companies, SAUR and its compatriots Compagnie Générale des Eaux and Lyonnaise des Eaux have succeeded in buying 12 of the UK's 29 private-sector water companies – four each. They hold substantial stakes in six others.

Government restrictions on mergers in the water industry – imposed after the 12 bids had been launched – have calmed the frenzy of activity, but speculation about French intentions in the UK continues.

So who are the French suppliers? And why are they interested in the British water industry?

There are about five private water companies in France, which handle 70 per cent of the country's supply. The proportion has grown steadily since the second world war, as more and more French municipalities have contracted out local services, including water supply, to private groups.

Some of the French companies have existed since the 19th century, and grown to become the biggest groups quoted on the Paris stock exchange. Compagnie Générale des Eaux, for example, reported attributable net profits of FFr1.37bn (£132m) for 1988.

The three biggest companies have other interests, ranging from cable and public television, through construction and civil works to funeral directing.

But there is little market share left to bite at in the French water service business, so all have turned abroad, winning contracts to supply water in developing countries. In the last two years, they have realised the potential of the UK, teetering on the brink of radical changes in the industry, and moved in.

Some factors played into the French hands. The statutory water companies were just beginning to show their concern that the 10 much larger water authorities might use privatisation as an excuse to devour them. Ownership at arm's length from Paris offered a prospect of job security, which amalgamation with the local water authority would not have done.

All the French deals were recommended by water company boards, albeit after long negotiations.

Furthermore, nobody seemed to know how to value statutory water companies. For years, stock in all 28 quoted groups had traded at about the same level. As interest in the sector reached boiling point, so investors began to discriminate between the companies.

It was a learning process for predators, targets and shareholders, who gradually learned to hold out for higher offers – despite the fact that their stock had already shot up to more than 10 times its value in late 1987.

Calmer waters: Kielder Water, in Northumbria (left); and dinghies on a reservoir in the Thames area

Lyonnaise des Eaux, for example, paid £47.6m for Essex Water in June 1988, the first French bid for a water company. Less than eight months later, SAUR had to increase its bid for Mid Southern Water – a much smaller water company – to £58.6m before institutional investors would commit their shares to the offer.

The bid excitement has left French suppliers with a much larger investment in the industry than they can have anticipated. Excluding the value of outstanding holdings in companies which are still independent, the three French groups have spent between £80m and £144m each on buying into the sector.

Opinions differ as to how they will win a decent return on that investment.

The French companies themselves say they are in the British industry for the long term, and are happy to gain only small profits – or no profits at all – in the first few years.

That should not be surprising, because the French domestic system involves companies competing for water supply contracts which sometimes run for up to 30 years. The short-term bid activity – rather like the short-term concerns of privatisation – has obscured the long-term nature of the industry, both in the UK and in France.

French investors also argue that much needs to be done – as elsewhere in the UK water industry – to bring the companies up to European Commission and Government standards on water quality.

That may occupy the new French owners' attention for some time. Meanwhile, Lyonnaise and Générale have already set up other subsidiaries in the UK to compete for local service contracts in street cleaning and waste disposal. In the longer term, that might be an area into which the French-owned water companies will diversify.

After flotation, there will almost certainly be some shake-up in the French position. Sceptics warn that the UK will see the denouement of a French conspiracy, in which the new owners will sell the outstanding strategic stakes in water companies to one another and carve up the rest of the sector. They say the French could now invite the authorities to buy back the companies at exorbitant prices, thus increasing their income from water supply.

After flotation, there will almost certainly be some shake-up in the French position

That seems unlikely, but more conservative deals with the authorities are a possibility, as are links with other British groups. Lyonnaise, for instance, has already hinted that it will seek a quoted UK partner – not a water authority – to take a large share in its British subsidiary, at present wholly-owned.

As investment targets, the authorities seem safe from the serious attentions of acquisitive French companies for the time being, because they are protected by government shareholdings and the new merger policy.

That does not rule out small French investments: if nothing else, having large French competitors, and potential predators, in the market will keep the newly-privatised authorities – and the remaining statutory companies – on their toes.

Bids and strategic stakes in statutory water companies

ANGLIAN WATER AUTHORITY AREA
Tendring Hundred Waterworks Company:
Compagnie Générale des Eaux, £10m bid
East Anglian Water Company:
Lyonnaise des Eaux, £21.6m bid
Essex Water Company:
Lyonnaise, £47.6m bid

NORTHUMBRIAN WATER AUTHORITY AREA
Newcastle & Gateshead:
Lyonnaise, £39.1m bid (increased from £30.5m)
Sunderland & South Shields:
Lyonnaise, £35.9m bid (increased from £29.8m)

SEVERN TRENT WATER AUTHORITY AREA
East Worcestershire Waterworks Company:
Biwater Supply, £2.98m bid*
South Staffs Water Company:
Générale des Eaux, 26.1 per cent

SOUTHERN WATER AUTHORITY AREA
Eastbourne Waterworks Company
SAUR, £15m bid
Southern Water Authority, 25 per cent
Mid-Sussex Water Company:
SAUR, £16.8m bid (increased from £13m)
Southern Water Authority, 25 per cent
West Kent Water Company:
SAUR, £7.4m bid (increased from £5.23m)
Southern Water Authority, 25 per cent
Folkestone and District Water Company:
Générale des Eaux, £11.5m bid (increased from £8.3m)
Southern Water Authority, 25 per cent
Mid Kent Water Company (now Mid Kent Holdings):
Générale des Eaux, 30.1 per cent
SAUR, 16.6 per cent
Portsmouth Water Company:
Portsmouth Water Co Retirement Benefits Scheme, 84 per cent

THAMES WATER AUTHORITY AREA
North Surrey Water Company:
Compagnie Générale des Eaux, £15.6m bid
Lee Valley Water:
Générale des Eaux, £41m bid
Mid Southern Water Company:
SAUR, £58.6m bid (increased from £50m)
Colne Valley Water Company:
Générale des Eaux, 28.2 per cent
SAUR, 25 per cent
Rickmansworth Water Company:
SAUR, 27.72 per cent
Générale des Eaux, 16.1 per cent
East Surrey Water Company:
*Associated Insurance Pension Fund**, 28 per cent*
Sutton District Water Company:
Associated Insurance Pension Fund, 13.72

WELSH WATER AUTHORITY REGION
Wrexham & East Denbighshire Water Company:
SAUR, 11 per cent

WESSEX WATER AUTHORITY AREA
West Hampshire Water Company:
Biwater, £10m bid (increased from £9.4m)
Bournemouth and District Water Company:
Biwater, £17.6m bid
Bristol Waterworks Company:
Lyonnaise, 18 per cent
Générale des Eaux, 29.9 per cent

* Biwater is a private UK contractor; Biwater Supply is jointly owned by Biwater and East Worcs management.
** AIPF is a private investment vehicle for Mr Duncan Saville, a businessman based in Sydney, Australia.

Andrew Hill on the difficulty of comparing different countries' water industries

'The Orkneys aren't Greek islands'

ACCUSATIONS that Britain is "the dirty man of Europe" when it comes to water purity rankle with the 10 water authorities.

The problem is that the European Commission has recently singled out the UK for trangressing the EC's nine-year-old directive on drinking water quality.

The Commission has put pressure on Britain, because it is unique among European water suppliers in having to frame a legal form of words – for the impending privatisation – laying out how it intends to meet the directive's demands.

All countries should have complied with the drinking water directive by 1985. Publicity for the EC's action, say the authorities, obscures the fact that continental suppliers are also infringing this and other EC rulings on bathing beaches and sewage treatment works.

In fact, European suppliers are united in their desire to see proper and practical standards applied to water quality. On pesticides, for example, there is pressure from all suppliers for the stringent single limit to be relaxed, or refined.

PUBLIC WATER SUPPLY IN EUROPE: 1986

	Population: residents (m)	Population: % connected	Water delivered: megalitres per day	Ground water %	Household %	Average household use: litres per head per day	Household water price (Jan '87) $ per cubic metre
Austria	7.57	56	1,580	99	64	131	0.68
Belgium	9.86	98	1,820	67	65	108	0.87
Denmark	5.12	92	1,060	99	67	194	0.37
Finland	4.93	81	1,310	49	54	156	0.56
France	55.30	99	15,260	64	70	147	0.72
Hungary (1984)	10.66	83	2,500	89	59	150	0.23
Italy (1984)	57.20	91	18,710	88	75	220	0.22
Luxembourg	0.37	99	120	70	67	171	0.58
Netherlands	14.61	100	3,030	70	82	159	0.78
Norway	4.15	87	2,470	15	47	175	0.28
Spain	38.75	96	11,500	26	73	158	0.28
Sweden	8.36	87	2,650	25	66	199	0.43
Switzerland	6.57	99	3,100	83	66	264	0.49
UK	56.60	99	19,500	28	63	135	0.50
West Germany	61.14	98	13,700	72	67	146	0.99

England and Wales households are not measured, so figures are based on 135 litres/head daily consumption
$1 = £1.87 at January 1 1987

Source: Water Authorities Association

But EC directives aside, there are other difficulties in assessing different countries' performance, either on environmental issues, or on the price of the supply.

Many European water suppliers are working from a very low base, and expectations of what constitutes a reasonable service differ. The UK authorities point out that, in Spain, only 40 per cent of people are served by a sewage treatment works, so there are almost certain to be fewer infringements of the EC directive on treatment works.

As one observer puts it: "You can't have laws that apply up in the Orkneys and down in the Greek islands: harmonisation should be the name of the game, approximation rather than uniformity."

Inevitably, European countries also give the standards different priorities. In the UK, the EC standards are regarded as a limit; elsewhere they can be seen as a guideline.

Price comparisons are difficult, as suppliers choose different means of charging

In Denmark, the Netherlands and West Germany, according to the environmental pressure group Friends of the Earth (FoE), the important issue of nitrate contamination – originating in agricultural fertilisers – is being tackled at source, with legislative restrictions on intensive farming. But that approach is dictated as much by geographical circumstances as anything else: unlike Britain, the bulk of the supply in all three countries comes from underground sources, which are the most vulnerable to nitrate pollution.

Price comparisons are also difficult, because suppliers choose different means of charging consumers. The UK is virtually unique in Europe in charging for water on the basis of rateable value, rather than metering a supply or charging a flat rate. That will change, but it makes any tabular comparison at best a rough estimate. Other countries show wider variations in price, according to the availability of water.

Jack Mannion, executive director of the American Water Works Association, which represents North American water industry professionals from Mexico to Canada, says there are major differences in culture when it comes to water. But cultures can change.

Water has typically cost the US consumer less than in Europe, he says. Now, with environmental pressure increasing, there is a need for improvements, price rises – and a change in a public attitude which used to favour the lowest possible water charges, rather than the best quality water.

"There is general public support for undertaking whatever is necessary for insuring the safety of public drinking water," Mr Mannion says.

It is a change in attitude supported by Andrew Lees, FoE's water pollution and toxics campaigner, for whom the issue of whether Britain is the dirty man of Europe or not is largely irrelevant. If Britain is dirty at all, then it has *to* clean itself up, the sooner the better.

"It's not a question of saying, 'Look – they're worse'," he says. "When one pleads for mitigation in the court one doesn't say to the judge, 'You've judged worse criminals than me' – you plead your case on its merits. And the British case has few merits."

Drinking water: structure in the UK:

England and Wales: 10 water authorities, in public ownership until the November flotation, treating and supplying water (also treating and disposing of sewage); 29 statutory water companies, already in the private sector, supplying water to 25 per cent of population.
Scotland: Regional water boards under the jurisdiction of the 12 regional or islands councils.
Northern Ireland: Four divisions, operated by the Department of the Environment for Northern Ireland.

The structure in Europe and North America:

Austria: Water supply organised on community level, through municipalities or autonomous utilities. There are also co-operatives, associations, stock corporations and limited liability companies.
Belgium: Water supply is the responsibility of public authorities. Eight major ones account for 85 per cent of the total supply.
Canada: Municipally-owned and publicly-owned utilities, regulated by the provincial governments, which implement central government standards.

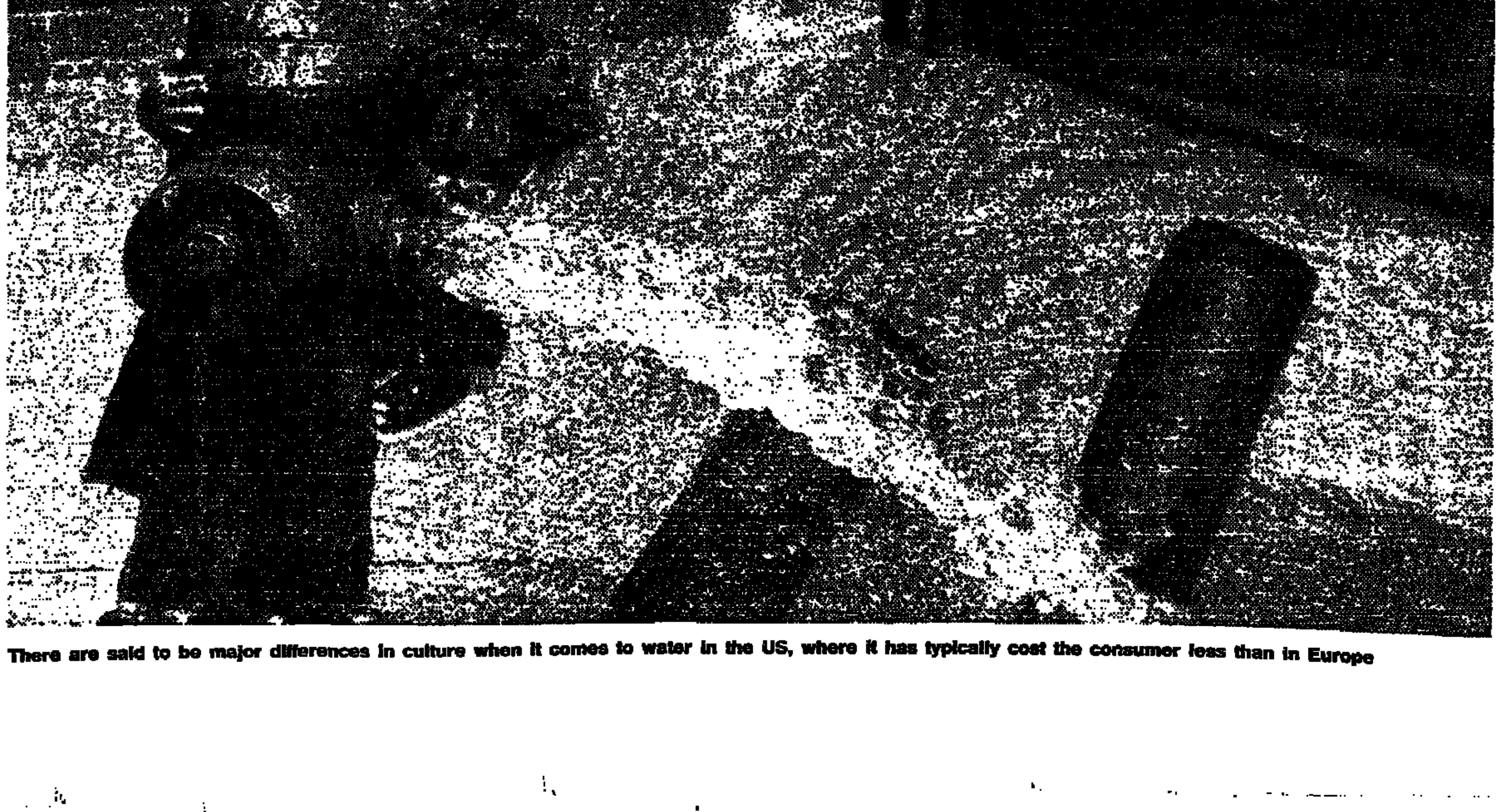
□

Denmark: Some 65 per cent of the population supplied by 120 municipal waterworks, 25 per cent by roughly 3,500 private co-operative waterworks, the balance from private springs and boreholes.
France: Some 70 per cent of the population gets its water from five large private companies, which compete for long-term contracts offered by municipalities. Balance of the supply handled by local authorities.
Italy: A highly fragmented system, with municipalities ultimately responsible for supply. They can handle it themselves, delegate it to special municipal enterprises, or contract it out to private companies. About 7,000 separate units manage the supply.
Netherlands: In 1986, about 88 utilities supplied the whole population. Several municipal companies are being absorbed by public companies, shares in which are owned by local authorities.
Norway: About 80 per cent of the population supplied by 1,800 waterworks, each serving more than 100 people. The balance draw water from small water supplies locally. More than half the waterworks are owned by municipalities, the rest are private co-ops.
Spain: Water distributed mainly through local authority-controlled services, to nearly 6,000 towns. Water for an increasing proportion of the population – nearly 25 per cent currently – is handled by private companies.
Sweden: Most of the supply is carried out by the 284 local authorities, with special regional associations in major metropolitan areas.
Switzerland: Most Swiss people connected to about 3,200 central water supply bodies. In rural areas, supply is delegated to co-ops responsible to corporations.

□

United States: About 90 per cent of the population supplied by municipally-owned water utilities, the balance by private water companies. Water quality standards set by the central Environmental Protection Agency.
West Germany: 6,300 local authority-owned and publicly-owned companies supplying water. Balance has shifted since 1969, when there were 15,000 companies, because of local authority reorganisation and concentration of business with larger suppliers.

Source of European information: *International Water Statistics, 1970-1986*, published 1988 by *International Water Supply Association*, 01 222 8111.



There are said to be major differences in culture when it comes to water in the US, where it has typically cost the consumer less than in Europe

Privatisation: Andrew Hill offers Sid a hand through the maze

Watch out for the K factor

THE FLOTATION of 10 water authorities is one of the largest, and certainly one of the most complex privatisations ever attempted.

For Sid, the ever-willing private investor, it already looks like a maze — and the most important details have yet to emerge. But certain *questions* are bound to arise between now and the November flotation:

■ What is being sold?

The 10 water and sewage businesses of England and Wales. Water services in Northern Ireland and Scotland are not for sale. Nor are the 29 statutory water companies, which are already in the private sector, although they will have the option to convert to public limited company *status* at the same time, which should make their shares more marketable.

■ How much will the privatisation raise?

Estimates range from £5bn to £7bn. But that depends on the dividend yield the Government thinks is necessary to attract investors — a respectable average of 7 or 8 per cent, for example, would realise about £6bn for the Government.

It is also possible that less than 100 per cent will be sold — although a complete flotation is likely to be the Government's favourite option, if only for political reasons.

■ What important facts are still to emerge?

Capital expenditure programmes will not appear until November, when the prospectuses are published. Some reports suggest the industry may have to spend as much as £12bn between now and 1995. The Government is likely to back some form of balance-sheet restructuring. Authorities' debts — substantial in some cases — could be written off or, at least, redistributed. Perhaps most important are the K factors for individual authorities, which should be announced towards the end of this month.

■ What is K?

Each water authority and statutory company will receive a K factor, calculated on the basis of its asset management plans for the next 20 years. Water and sewage charges for each water company after privatisation will be controlled by a formula based on the increase in the retail price index plus K. The higher the K factor, the greater the price increases — that makes it the key figure for determining the level of profit which could be achieved.

■ Can we assess the authorities on the basis of their past profits?

Not really: historic cost accounts are a poor guide, because both assets and depreciation charges are understated. The accounts also include borrowings and interest charges, while until this year maintenance costs were, somewhat unusually, capitalised on the balance sheet, rather than docked from the profit and loss accounts. Further tweaking of the authorities' finances is expected before privatisation, making past results a poor guide for the prospective investor.

■ What about land?

Almost from the start, the sale of extensive land assets has been cited as the big attraction for the unscrupulous investor. But the Government had its fingers burned when asset-rich Royal Ordnance was sold for a song to British Aerospace; so it is unlikely to repeat that embarrassment, and certain safeguards are already in place.

Half of all land and property profits should benefit the consumer in the form of lower charges, while the sale of assets with special conservation or amenity value will be restricted. Some highly desirable sites are occupied by operational plant, making redevelopment unlikely.

■ So how does one judge the authorities?

Try cash flow: City analysts have been looking at past accounts in an attempt to assess just how easily individual authorities have been able to finance existing capital spending out of cash flow. It looks quite tight for some authorities faced with major investment in the next decade.

■ How will those authorities manage?

The K factor should account for some of those costs — albeit at the expense of the consumer — while the cost of unexpected changes in water purity regulations will be borne via the customer: the so-called "cost pass-through" mechanism.

■ What's to stop a water authority going bust or running dry?

The new regulator of the industry — the Director-General of Water Services — has a duty to ensure that water authorities can fund their utility operations. S.G.Warburg, the Government's broker on water privatisation, reckons that insures that even the most pedestrian authority will always be able to rely on its core utility business.

■ What are the risks involved in investing in water?

There is no insurance against incompetence. Most authorities plan to move into other activities — from plumbing services to leisure — and they could make mistakes. As with any investment, the shareholder has to assess the management's ability to carry out its expansion plans.

Similarly, long-term asset management programmes could be wrong, although major problems caused by unforeseen costs could be solved by cost pass-through.

True incompetence might be punished by the DG of water services, who can always remove an authority's licence to supply and dispose of water.

More broadly, institutional investors are concerned that the possibility of European legal action will still be hanging over the industry come November. Authorities and companies have yet to comply fully with EC directives on water purity, sewage treatment and bathing beaches. Look out for the Government's handling of the issue in the authorities' prospectuses.

Looking further ahead, there is always the possibility of the authorities being returned to public control by a Government of a different political hue.

■ Can we distinguish between individual authorities?

The Government is attempting a complex juggling act of yield, K factor and price. It hopes all the authorities will look equally attractive to investors when they hit the market in November. But this privatisation is unusual in that the 10 authorities — which should be united under a single owner — are vying with one another to impress potential investors. British Gas and British Telecom, by contrast, were single entities.

That is likely to confuse the issue, but there are certain points which prospective shareholders might like to consider when comparing different authorities:

- ☐ K factors;
- ☐ Balance sheet restructuring;
- ☐ *Diversification plans;*
- ☐ Operating costs;
- ☐ Significant increases or decreases in volume of water supplied over the last few years; and
- ☐ Size — including the proportion of water supply handledby statutory water companies in a water authority's region.

■ Will there be any incentives for Sid to buy shares?

Probably, though they have not yet been decided. The Government wants to encourage wider regional share ownership, so local water authorities are likely to market themselves to their customers and employees.

■ Will privatised water authorities be traditional equities?

Because of their low-growth, reliable core business, dividend yield is likely to be a more important measure than a price/earnings ratio in the early years. Analysts reckon the shares will behave like a hybrid between gilts and traditional equities.

As the authorities diversify, of course, and go for growth, the p/e multiple will become the better means of assessing the shares — although the risk for the investor will also increase.

■ Just how complicated is water privatisation going to be?

Very. Shares in each authority should be sold at a common price, which will make it slightly easier. There will also be a standard application form and only a single prospectus for the whole industry — but with 10 sections, one for each authority, it could run to nearly 500 pages.

■ How will we be able to buy?

Individual investors will get a chance to buy individual authorities, institutions will have to settle for a package of all 10 which can then be split up.

■ Is it popular?

Not according to recent opinion polls, which show a marked lack of enthusiasm in the City and among the population at large for water privatisation.

But the Government has yet to unleash its latest advertising campaign. The marketing of this particular flotation, which has already occupied more column-inches than any previous Government share issue, should leave no Sid unturned.

REGULATION

Discretion and judgment

REGULATION of the industry will be unprecedentedly heavy — primarily because there is so little scope for effective competition for market share, while reasonable quality must be guaranteed.

How it will work will not become clear until the licences, setting out the regulation to be applied, have been finalised. But on the basis of what has so far been publicly stated, the proposals are on the following lines:

The Government's financial advisers are likely to be thinking in terms of cash flow projections over the next 20 years

Prices will be limited by a formula of Retail Price Index-plus-K, to be set later this year, with reviews every five or 10 years — or five, if the company or Ofwat, the new economic regulatory body, requests. A high proportion of the appointed business of the water undertaking will be controlled by this formula (far higher than in other regulated industries), while a vast majority of their expenditures will be obligatory.

The correct setting of K values is therefore fundamental: if they were too high, captive consumers would reasonably complain. On the other hand, if prices are set too low, it will be hard to finance future investment, and the shares will only be sold at a low price.

How then might K be set? Presumably the Government's financial advisers will be thinking in terms of cash flow projections over the next 20 years, and their counterpart in terms of accounting concepts, with K values chosen so that future cash flows justify, at an appropriate rate of return, an acceptable valuation for the business.

At the same time, it will be important to check that the main financial ratios shown by the accounting statistics (interest cover and gearing) look acceptable by conventional standards, so that the business can be financed. If capital expenditure increases in the next few years at a high rate, it might well be a good argument for "profiling" K so that larger price increases are achieved in those early years.

Once K values have been set, and the water undertaking is privatised, the application of the formula is also straightforward in principle, though somewhat complex in practice. At the end of each year, once the RPI increase for the past year (to November) is known, charges will be submitted to Ofwat for approval. These must be such that the weighted average of charges levied (for water, sewerage and trade effluent services) is not greater than the percentage increase in RPI plus the K number for the year in question. Ofwat will check the sums, and the new charges will come into effect the following April.

This basic system would give the industry powerful incentives to improve efficiency — prices being set for five or 10 years, meaning that each pound saved during that period, through more effective management would go straight through to the bottom line. Unfortunately it would also risk ruining even the most efficient business were, say, new requirements to be imposed by the National Rivers Authority, the Pollution Inspectorate, the Environment Department, the EC, or any other body with power to insist on new standards or methods, however expensive.

The safeguard against this is a system of "cost pass through" (CPT) rules, which in some cases will allow, and in others oblige, Ofwat to permit higher prices to cover such new imposts. Even in the case where the CPT is supposed to be automatic, Ofwat will have discretionary judgments to make.

This is a pity, not because Ofwat is likely to be poorly staffed or motivated — in fact, it will be headed by an outstandingly well qualified director — but simply because one of the basic lessons to be drawn from regulatory experience elsewhere is that the more discretion the regulator has, the more the industry concerned is likely to want to secure his goodwill. This in turn means that, in practice, managers will be the more inclined to defer to his judgments. In the US, for example, the problem is discussed as one of "how to avoid supine management".

The director of Ofwat's judgment will be needed in CPT applications on three key issues (assuming that it has been established that the new obligation or circumstance qualifies under the detailed provisions of the licence as cost pass through):

1. Are the expenses which the water undertaking claims those which would be incurred by an efficient undertaking; or is there a cheaper way of meeting the new obligation?
2. Could any of the costs have been avoided by more prudent management decisions in the past? And, more troubling:
3. Over what time period should the costs be recovered?

The director of Ofwat's constraint is that he has, under the Act, to ensure that the water undertaking can finance its operations, while the licence will require him to apply CPT so as generally to maintain the financial position of the undertaking. This will limit the extent to which he might oblige the company to pay for the new (remember, externally imposed) obligation from reserves or borrowing.

Ofwat will need information on levels of service, measured against targets for water availability and pressure

If something should happen which does not qualify for the form of cost pass through just described, but which has a major adverse effect on the water undertaking, then Ofwat may — purely as a matter of discretion — allow some increase to charges to ensure continued viability.

Price control will be buttressed by quality control. This, too, has several dimensions. Briefly: Ofwat will have to approve codes of practice setting out how the water undertaking will deal with customers on matters such as billing, complaints, disconnections (where necessary) and metering.

Ofwat will also need accurate information on levels of service, measured against stated targets for water availability, pressure, and avoidance of flooding from sewers. Water quality and environmental standards must be met and detailed accounting data provided.

Finally, among the regulatory innovations will be what amounts to a requirement that long-run investment plans are made. The "regulatory compact", into which the appointed businesses will enter, includes carrying out an underground asset management plan, designed so that investment and maintenance works will ensure service and quality standards in the long, as well as the short, term. Land disposals will be monitored, while the Act contains provisions covering conservation, *right of access and environmental considerations.*

Will the regulatory regime amount to overkill? Customers deserve first-class protection, and it is easy to see a rationale for many of the proposed regulations. On the other hand, in total they are likely to be extremely detailed (and costly to operate).

The major challenge for Ian Byatt, the director general of water services, and for the industry's management, will be to ensure that the system does not in practice become a plodding cost-plus or "rate of return" regime, such as has rightly been rejected in other industries and is now on the way to being replaced in the US.

Dermot Glynn
National Economic Research Associates

Servicing the industry: **Andrew Hill** on the role and future of the contractors on which the authorities and water companies depend

All specialists may not be ready for the challenge . . .

IT IS difficult to get hold of builders in Britain at the best of times.

What then are the chances of the UK water industry's finding enough British builders and engineers to complete an estimated £12bn worth of work in the next six years?

That is one guess at the cost of complying with the European Commission's directives. Britain should meet the standard on drinking water purity by the mid-1990s; its bathing beaches must comply by 1995, sewage treatment works by 1992.

Every week seems to add to, or alter, the demands on the industry: earlier this month, it emerged that the EC was drafting a new directive which would prevent authorities dumping raw sewage into the sea. That could mean further billions being spent on the construction of coastal treatment works.

The possibility of exhausting the supply of specialist contractors is one reason why the water authorities have pressed successfully for a rogue amendment to the water privatisation bill to be overturned. It asked for compliance with the EC drinking water directive by 1993 – "impracticable and impossible," said the water authorities.

That still leaves a great deal of work to be done before the mid-1990s.

Adrian White is founder and chairman of Biwater, the private water contractor which has been the only UK bidder for statutory water companies. He believes most British contractors and suppliers, through no fault of their own, are far from ready for the challenge.

He argues that UK companies serving the industry have been hit by tighter conditions on contracts in the public sector during the last decade – particularly among the water authorities.

"Because of Government cutbacks on water expenditure, there was insufficient continuity and viability on contracts," he says.

The insecurity of relying on single contracts led to several British contractors either going to the wall or being gradually run down by larger parent companies.

"Now it's gone full-circle: there is a mad scramble to achieve EC provisions by the due date, but the capacity in the market for specialist contracting is not there."

Mr White has an axe to grind, of course. Biwater is already active on major contracts in the UK and overseas, and claims to offer "total capability": design, civil construction, water treatment and sewage treatment, and manufacture of components. But, despite his company's strong position, he says there is clearly further rationalisation to come.

For one thing, the statutory water companies and the water authorities, once privatised, will look to expand into new fields, which could include designing and building, as well as operating and maintaining water plant.

The insecurity of relying on single contracts meant trouble for contractors

Thames Water, one of the largest authorities, has already spent up to £34m buying the loss-making water treatment arm of Portals Holdings, a quoted papermaking company. It is part of an international drive to buy 18 companies specialising in design contracting for the drinking and industrial water treatment markets, and designing and supplying water "products", such as chlorinators or softeners.

Further European rationalisation is more than likely, Mr White believes.

"Buyers are already looking at France or Germany as an alternative," he says. "After 1995, capital works in the UK will drop, and eventually we foresee a crystallisation of the industry in Europe, leaving one major pump company, one major valve company, one major water treatment company and one major pipe company."

■ Adrian White, founder and chairman of Biwater, the private water contractor which has been the only UK bidder for statutory water companies, argues that UK companies serving the industry have been hit by tighter conditions on contracts in the public sector during the last decade – particularly among the water authorities

. . . but a windfall awaits those who are

NEARLY 250 companies are listed as serving the industry in the Water Authorities Association (WAA) handbook, writes Andrew Hill.

They supply everything from abrasion-resistant coatings and anaerobic digesters to weed screen cleaners and winches. So who will benefit from the windfall of work into the 1990s?

Three sectors should be favoured, according to a recent circular from Smith New Court, the WAA's research broker, about 10 quoted companies affected by the water industry's capital projects. The sectors are: building materials and construction; engineering; and electricals.

Construction companies – and pipe manufacturers like Hepworth and Polypipe – could pick up the lion's share of the work, suggests the report.

□

That could bring into play the three French water suppliers, which have already invested in the UK's water companies. In particular, Compagnie Générale des Eaux and SAUR, a subsidiary of construction giant Bouygues, have strong civil engineering arms.

The third, Lyonnaise des Eaux, has deliberately moved out of construction in recent years. But Lyonnaise has links with civil engineer John Laing – another Smith New Court tip – through a joint venture, Degremont Laing, which could be revived to provide contracting services to the UK water industry.

A second UK construction group, Trafalgar House, was Bouygues' original partner in the scramble for water company investments. When that partnership split up last October, Trafalgar said it was still committed to a contracting role in the industry, and could end up competing with its rival Balfour Beatty, the BICC subsidiary, which is already heavily involved in civil construction of dams and reservoirs worldwide.

Other beneficiaries could include related engineering companies, which would supply the kit for new treatment plants, mains and sewer systems.

□

Smith New Court picks out Rotork, the valve manufacturer, pump-maker Weir, and more general manufacturers of cast-iron systems, such as Glynwed. Simon Engineering, better known for its firefighting and access equipment, has a growing involvement in waste water treatment in the UK and US.

Two with particularly high proportions of sales to the industry are ABB Kent and Victaulic.

Victaulic makes 25 per cent of its valve, pipe and other component sales to the sector. ABB Kent earns 40 per cent of its sales, mainly overseas, from water meters. It could benefit if authorities select metering as an alternative charging method to the rates-based system currently used. That has to be phased out by the end of the century.

THE ENVIRONMENT

Watermen defend their record

PRIVATISATION has spotlighted, as never before, the environmental issues involved in water supply, and has led to a spate of criticism of the industry from "green" pressure groups, MPs and peers.

Most of the publicity has concentrated on allegations of poor water quality. But the 10 authorities, now about to become plcs, say that much of the criticism is ill-founded. They maintain that the standard of drinking water in Britain is as good as that in most other EC countries and better than that in many.

They also point out that the industry has suffered a lack of capital investment as a result of expenditure cuts under the Labour government in the late 1970s and in the early years of the present government.

As a result, it is now having to catch up on much needed investment to improve pollution control. Capital expenditure is currently running at twice the level of 10 years ago and is still rising.

Water authorities say that, in the past, Britain has been ahead of its European counterparts in maintaining water quality. In recent years – the argument runs – the EC countries have been forging ahead in this area but have started from a lower base than the UK.

In southern Europe, many people still do not have public water supplies. In Britain, 84 per cent of the population is served by sewage treatment works, a figure bettered only by Germany, Denmark and Holland.

The British Government has been in lengthy negotiations with the EC Commission, which is demanding that the UK brings its standards into line with the community drinking water directive that it should have complied with by 1985.

This topic was the centre of a long battle during the passage of the Water Bill through parliament. The most serious opposition was in the Lords, where Labour peers moved an amendment that Britain should comply fully with the directive by 1993. This was approved but later overturned in the Commons.

There are 66 different paramaters for water quality laid down in the directive, and the Government takes the view that some of them are unnecessary. Mr Nicholas Ridley, the Environment Secretary, says some of the standards are too stringent. The regulation on nitrates is, he says, tougher than is necessary to protect public health, and it could take Britain three years to meet standards.

There is a similar time-scale for aluminium, which some claim is linked with Alzheimer's disease. But on lead, which can cause brain damage in children, he believes that Britain will be able to meet European standards within the next few months.

CLASSIFICATION OF RIVERS AND CANALS: 1987-88 (lengths in km)

	Class 1A	Class 1B	Class 2	Class 3	Class 4	Class X	Total
Anglian	379	2,100	1,578	378	18	0	4,453
Northumbrian	1,730	716	273	61	5	0	2,785
North West	2,591	820	1,265	965	259	0	5,900
Severn Trent	827	2,411	2,299	549	71	35	6,192
Southern	628	773	596	164	0	0	2,161
South West	650	769	827	328	27	0	2,601
Thames	702	951	643	117	5	0	2,418
Welsh	2,453	1,321	720	274	34	0	4,802
Wessex	627	880	816	126	17	0	2,466
Yorkshire	2,264	2,198	779	629	164	0	6,034
England/Wales	**12,851**	**12,939**	**9,796**	**3,591**	**600**	**35**	**39,812**

Class:-
1A: Waters of high quality suitable for drinkable supply abstractions and for all other abstractions; game or other high class fisheries; high amenity value.
1B: Less high quality than class 1A, but usable for substantially the same purposes.
2: Suitable for drinking after advanced treatment; supporting reasonably good coarse fisheries; moderate amenity value.
3: Polluted to an extent that fish are absent or only sporadically present; may be used for low-grade industrial abstraction purposes; considerable potential for further use if cleaned up.
4: Grossly polluted and likely to cause nuisance.
X: Insignificant water courses not usable where objective is to prevent nuisance developing.

Source: Water Authorities Association

The problem of the extensive use of lead piping has been difficult to solve. Currently an expensive programme of water treatment is being carried out to reduce the lead content. England and Wales should be in compliance with the directive on lead by the end of this year. Scotland will take a little longer.

Initially, Britain interpreted the EC limits by judging them on an average based on a sample of water taken over a three-month period. But, when Commission lawyers objected to this interpretation, it was agreed to regard each standard as a ceiling which could not be exceeded.

However, environmental bodies are not impressed by the claims of the industry and the Government over water purity. Organisations such as Friends of the Earth have persistently campaigned for tighter standards.

FoE carried out an investigation which, it said, showed that much of Britain's drinking water was illegally contaminated with pesticides. It concluded that nearly 300 water supplies in England contained pesticides above the maximum allowed under the EC drinking water directive. Its report said that pesticide poisoning can occur very quickly and cause symptoms such as nausea, giddiness and restricted breathing.

Nitrate levels have also been the subject of intensive campaigning. The problem is mainly caused by the large-scale use of artificial nitrogenous fertilisers getting into rivers and streams from agricultural land.

FoE estimates that about 4m people in England receive drinking water that has breached the EC nitrate level. There are fears that this could cause an oxygen deficiency in the blood of new-born babies similar to the "blue baby" syndrome.

The Government has proposed restrictions on the use of nitrate fertilisers, in an effort to reduce pollution. The Ministry of Agriculture is setting up pilot zones, where restrictions on their use would apply, hopefully on a voluntary basis.

Another target of the conservationists has been the large number of sewage treatment works which have been operating illegally above the pollution limits laid down by the Government. About 20 per cent have failed to comply with the standards, known as "consents". There was controversy when the Government amended the Water Bill in its final stages to give concessions to about 1,000 sewage works that were in breach of their consents for the level of discharges.

These works will be permitted to continue discharging at their present levels until 1992, by which time they will be expected to comply with the legal limits. This is intended to give them the necessary time to install new plant – a process which cannot be carried out overnight. It would, after all, have been difficult to float a company where one in five of its sewage works was in breach of the law.

The decision has angered environmentalists, but the industry argues that most cases where consents have been exceeded have not involved gross pollution or significant damage to rivers.

The sewage outflow effects river quality where much of the drinking water comes from. But, in fact, 90 per cent of the rivers in England and Wales are classified as of good or fair quality.

There was also stiff opposition to the year's "amnesty" from prosecution for water authorities that are in breach of sewage regulations when they are privatised. This arises because it would take a year for adequate tests to be conducted to present a case for prosecution. The water authorities argue that it is a misnomer to call this an amnesty. The new companies could still be prosecuted at a later stage, on the basis of evidence gathered during their first year of operation.

Britain has also been the target of criticism over the quality of its beaches where pollution is mainly caused by sewage outfalls. There are 400 identified bathing beaches in the UK, and two thirds of these comply with EC standards.

The industry has been spending £70m annually on improving bathing waters, and it is hoped to get the remaining third of beaches up to standard by 1995 at a cost of about £1bn.

Controversy has also centred on the possibility that the privatised water companies will dispose of large tracts of land which they will inherit from the authorities. Environmentalists fear that this could lead to the sale of beauty spots to developers in order to boost the profits of the privatised industry.

The Government has acted to meet some of the worries on this issue. The water authorities own about 500,000 acres. Of this, 200,000 is in national parks, 100,000 on sites of special scientific interest (SSSIs) while 200,000 is in unprotected areas.

It is this unprotected land that is giving conservationists cause for concern. The Water Act was amended during its passage through parliament to give Mr Ridley powers of protection over land owned by the water authorities in areas of outstanding natural beauty, the national parks, SSSIs and the Norfolk Broads.

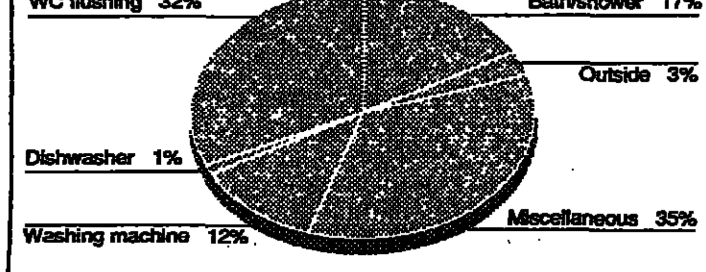
Water companies will still have to get the Environment Secretary's permission to sell land which does not fall into these categories. But, in coming to a decision on these land disposals outside protected areas, he need not take account of the conservation value of the land.

The Council for the Protection of Rural England says this could put much beautiful countryside at risk including the West Pennine Moors and parts of the 7000 acre Elan Valley in Mid Wales.

Mr Andrew Purkis, Director of the CPRE, says: "The Government has reneged on its commitment to provide adequate environmental safeguards for all water authority land."

John Hunt

Average UK household water use



FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday July 25 1989

INSIDE

Hurrying to get off the ground

Such is the hurry of All Nippon Airways to expand overseas that it started its Tokyo-London service at the weekend with an aircraft borrowed from its Tokyo-Sydney service. This willingness to improvise is, writes Stefan Wagstyl, a sign of the determination with which the carrier, Japan's largest after Japan Air Lines, has been building an international network since 1986, when the government broke the near monopoly on international services controlled by JAL. Page 19

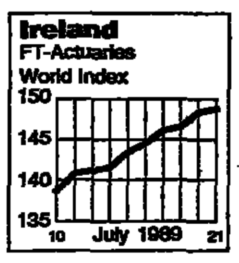
Back to their roots

A joke going the rounds of the US agricultural community earlier this decade said that to double his income a farmer needed only to install a second mail box at the end of his drive. Farmers did not need to know how to grow crops – just how to farm the subsidy. But in recent years the aid programme has been drastically reduced, a move that some bankers and merchants feel will give agriculture a healthier future. Predictably, farmers are less sure, reports David Richardson in his Farmer's Viewpoint. Page 26

Honeywell's new ammunition

Honeywell, the electronic controls and avionics group long rumoured as a takeover target, yesterday announced a series of measures to improve shareholder value and reduce its dependence on weapons contracts. Mr James Renier, chairman since late 1987, said Honeywell wanted to pass on to shareholders benefits that were flowing from a restructuring begun two years ago. Page 20

Ireland and Australia lead field



The two best stock market performances of last week came on opposite sides of the globe. Ireland and Australia both surged ahead, rising more than 3 per cent in local currency terms, according to the FT-Actuaries World Indices. Ireland's advance of 3.6 per cent, together with its 3.5 per cent rise the previous week, was part of a catching-up process after a slight retreat in the past couple of months, while Australia's rise of 3.4 per cent was attributed to the boost given to currency-sensitive shares by the dollar's fall on news of the country's record balance of payments deficit. Page 38

Profits jump at Reuters

Improvements in costs and margins helped Reuters, the international information and news group, push up its interim pre-tax profits by 32 per cent to £135.9m ($217.6m). This was well ahead of analysts' expectations and on a poor day in the market the shares gained 5p to 790p. Page 23

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Badenwerk	233	+	13
Holzmann (P.)	835	+	18
Schering	702.8	+	14.8
Falls			
BHF-Bank	485	–	14
Feldmuehle	381	–	8
Kaufhof	526	–	12

NEW YORK ($)			
Rises			
Airb'ne Freight	30⅛	+	⅝
Cameron Iron	23⅛	+	⅞
Honeywell	89¼	+	3¾
Falls			
Eastman Kodak	48	–	1⅛
Exxon	45⅝	–	1⅛
McDonalds	29¾	–	1⅝

New York prices as at 12.30pm.

PARIS (FFr)			
Rises			
Drouot Ass.	464	+	26.2
Ingenico	245	+	12.1
UFB Locabail	585	+	45
Falls			
Canal Plus	698	–	18.5
Eurotunnel	91	–	10.5

TOKYO (Yen)			
Rises			
Kagetsuenkanko	1880	+	180
Kokusai Kogyo	2800	+	180
Tada Construct.	1550	+	140
Falls			
Okura	1150	–	50
Shinki	1150	–	50
Tokai Pulp	1140	–	50

LONDON (Pence)							
Rises				DSC	77	–	18
DRG	540	+	8	Eurotunnel Uts.	855	–	98
Cook (Wm.)	341	+	12	Hawker Siddeley	745	–	9
Hazlewood	262	+	4	Jaguar	393	–	13
Tex Hldgs.	213	+	5	LASMO	612	–	12
Unigate	416	+	3	Lucas Inds.	638	–	10
Falls				Natwest Bk.	306	–	7
BAT Inds.	975	–	9	P & O Defd.	680	–	16
Brit. Aerospace	710	–	12	Scot. & New.	379	–	9
Burmah	641	–	16	Sketchley	144	–	9
Burton Grp.	241	–	8	THF	344	–	9
Cad. Schweppes	444	–	10	Warburg (S.G.)	371	–	12
Countryside Prop.	213	–	9				

Allianz profits jump lifts dividend hopes

By Haig Simonian in Munich

PROFITS AT Allianz, Europe's biggest insurance company, rose by more than a third at the pre-tax level for 1988, triggering speculation that the company is about to step up its dividend.

Taxable profits jumped by DM484m ($244.2m) to DM1.24bn for last year thanks to improved underwriting earnings and much lower write-offs on securities compared with 1987. Net earnings rose to DM539m from DM406m.

The results, which exclude figures for Allianz's foreign activities and from Allianz Leben, the domestic life insurer owned jointly with Münchener Rückversicherung, appear to open the way to a substantial dividend increase at Allianz AG, the ultimate holding company, which last year paid DM12 a share.

Allianz's current buoyant business trends promise to see consolidated group premiums go up to DM31bn this year from DM29.2bn in 1988.

Group earnings will also be boosted by the move to fully consolidated accounting to be introduced from this year, said Mr Wolfgang Schieren, the chief executive.

The fact that 1989 is also Allianz's centenary year makes a higher dividend all but certain. Estimates vary between an extra DM2 and DM3 a share, with the only uncertainty being whether the increase will be paid as a one-off centenary "bonus" or will be partly consolidated into the existing pay-out.

Mr Schieren dismissed suggestions that Allianz might be interested in buying part or all of the insurance activities of BAT Industries, should the UK group be successfully broken up. "From today's perspective, I see no reason for us to get involved," he said.

Rather, he repeated Allianz's long-standing interest in acquiring a sizeable US insurer. While quoting a figure of about DM2bn for Allianz's "war chest", the true level is probably two to three times higher.

However, Mr Schieren emphasised that Farmers Group, the US company recently acquired by BAT, was not of interest. Allianz had looked at Farmers in the past and had decided not to make a bid, he said.

Pre-tax profits at Allianz AG jumped by DM167m to DM475m last year, the highest level since the group's move to a complex holding company structure in 1985. Much of the improvement in group earnings came from a DM377m reduction in the amount set aside for write-offs on securities in 1988 compared with 1987.

Domestic non-life premiums stand to rise by about DM500m this year to about DM10bn.

Premiums at Allianz Leben should go up by a similar amount to about DM7.5bn, while foreign premiums are likely to go up by about DM1bn to almost DM19bn, representing about 40 per cent of the group's total premium income, said Mr Schieren.

Lex, Page 16; Allianz maintains premium pace, Page 18

Lonrho drops request for freeze on Bond shares

By Raymond Hughes and Ray Bashford in London

MR ALAN BOND, the Australian businessman, yesterday cleared a major obstacle to his planned disposal of a 20.4 per cent stake in Lonrho, when the international trading conglomerate dropped its High Court request for an order freezing the shares.

Lonrho's move came after the court had acquitted Mr Bond and senior executives of the Bond group of companies of any intention to deceive in the answers given to inquiries from Lonrho about the beneficial ownership of 76m of the 114m shares.

Mr Michael Edwards, the head of Mr Bond's European operations, said the court's decision returned freedom over the holding to the company. The shares were acquired last year for a possible bid for Lonrho.

"Our freedom of action has been totally restored and we would now expect to be treated like any other shareholder in the company, particularly as we are the biggest," said Mr Edwards.

He added that discussions are continuing with Stroh, the US brewing group, over several options including the possible swap of the Lonrho shares for a major stake in Bond companies in the US group.

Mr Terry Robinson, the architect of Lonrho's campaign to discredit Mr Bond, agreed that the ruling gave the Australian greater flexibility.

"He's in a much more flexible position but it doesn't change very much. He didn't get a sniff, as he [Mr Bond] said when he tried to sell them through Samuel Montagu," Mr Robinson said.

This year Mr Bond attempted to dispose of the stake through a tender organised by the merchant bank.

Vice-Chancellor Sir Nicolas Browne-Wilkinson accepted Bond evidence that it had always been intended that the Lonrho shares would be acquired for Bell Resources, in which the Bond Corporation has a controlling interest, rather than for a Bond group company.

However, in a three-hour judgment Sir Nicolas accepted that it had been as a result of "bad organisation leading to mistakes on a repeated basis" that Lonrho had first been told that its shares had been acquired by Bond Corporation Holdings. He said that the Bond empire had been "grossly deficient" in the way it handled the inquiries.

It was, he said, grossly negligent for a corporation to go into the markets for hostile acquisitions of shares without ensuring that it could comply with the statutory requirements of the country where the target company was.

China brewery deal, Page 18

Boots hits hostility over Ward White bid

By Vanessa Houlder in London

UK PHARMACEUTICAL and retail company Boots faced an unusually public display of institutional disaffection yesterday, when shareholders representing 11 per cent of the company voted against its hostile £900m bid for fellow retailer Ward White.

However, the extraordinary general meeting, held in London's Café Royal, gave Boots approval to proceed with the deal. Over two thirds of the votes cast in a poll to approve the acquisition were in favour.

The poll was taken at the request of Mercury Asset Management, one of the UK's biggest fund managers, which has a 10 per cent stake in Boots and was opposed to the plan. Sun Life, a UK insurance company which has 1.5 per cent of the shares, also voted against.

Mr Stephen Zimmerman, vice chairman of MAM, said it believed that the acquisition was a high risk one. "It would change Boots from being a defensive company with strong asset backing to being a hybrid which is much more exposed to cyclical swings and with less protective backing," he said.

He added that he did not believe that the Boots' management had the necessary expertise to deal with Ward White. The acquisition would take Boots away from chemist shops and pharmaceutical products into the markets for bicycles, DIY and home improvement.

Other institutions have also expressed concern that Boots is paying too high a price and that the deal would prove dilutive.

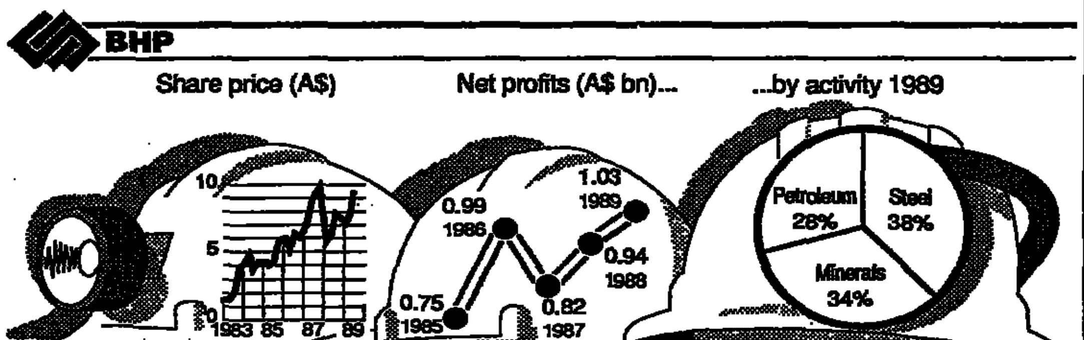
Sir James Blyth, chief executive, said the vote showed that Boots had the support of a great majority of its shareholders, although it was disappointed by the stance taken by MAM. "If you have a single major shareholder and you do not manage to persuade them, of course you have to be disappointed."

He was puzzled that MAM had chosen to make such a public stand. "Whatever their motive, it is a very odd thing to have done," he said.

MAM requested a poll even though most of the shareholders at the meeting supported the board and more than 80 per cent of the proxy votes were in favour of the deal.

Ward White's shares dropped 5p to 446p on the London Stock Exchange during the day, although they are still well above Boots' 400p per share offer.

Lex, Page 24



Nimble footwork from the Australian giant

Chris Sherwell reports on the sudden stock market enthusiasm for the steel, oil and mining group BHP

For years, Australians have regarded Broken Hill Proprietary as lumberingly big and numbingly dull. Next to the mesmerising alchemy of the country's fleet-footed entrepreneurs, the group's activities in steel, oil and mining have seemed worthy, but ordinary.

Not any more. On the share market, Australia's largest company is currently outstripping all expectations. At A$9.66 yesterday, its shares are standing at a 12-month high; they were below A$7 shortly before last Christmas.

The principal reason for the stock market trend was confirmed at the end of last month, when the group reported net profits of A$1.03bn (US$786m) to become the first Australian company in history to push through the A$1bn barrier.

Although the figure was widely expected, the careful explanation of the group's performance and prospects by its top executives both before and after the announcement has reinforced the momentum behind the share price rise.

Their story is partly about the happy coincidence of external factors, like strong commodity prices and surging domestic demand, together with a helpful absence of distracting internal ones – especially following last year's effective removal from the share register of Mr Robert Holmes à Court and Mr John Elliott's Elders IXL.

But it is also about the fruition of long-term plans, particularly in steel, and the maturing of ambitious newer ones, notably in oil and gas and base metals. BHP has an estimated A$6bn in assets currently contributing little to its bottom line – and most of the benefits will start to appear in the next four years.

According to a 288-report by J.B. Were, the Melbourne brokers, "At no point in BHP's recent history have all operating divisions been poised for growth as they are now." On its "base-case" outlook, the group's net profits in the current year will top A$1.3bn, rise to A$1.67bn in 1991 and to almost A$2.1bn in 1992. On an earnings-per-share basis, growth will be 25 per cent per year for three years.

As a tour around some of BHP projects illustrates, the reasons are not hard to find.

● In steel, the group is reaping the rewards of modernisation, cheap raw materials and strong demand. With its massive coal and iron ore resources, BHP – and Australia – ought to be one of the world's most efficient steel-makers. Yet a crisis almost brought closure in the early 1980s.

The group has since invested A$2bn to improve productivity, and in the latest year the division generated a record operating profit of A$451m, an increase of A$266m on the previous year.

The big question now concerns the impact of an inevitable downturn. BHP reckons this will be less significant than many believe because its improvements are due to lower costs rather than higher prices, and because it is now efficient enough to win export orders – something it has recently sacrificed to meet swollen domestic demand.

● In minerals, BHP made a quantum leap in 1984, when it acquired Utah International from the General Electric Company of the US for A$2.4bn. In efficiency, quality and size, the key operations of the merged BHP-Utah Minerals are outstanding.

As well as operating several significant mines in Australia BHP-Utah has international holdings. It is fast becoming a major world copper producer, both through the copper and gold mine at Ok Tedi in Papua New Guinea, which it operates, and the Escondida mine under construction in Chile, which will be one of the two lowest cost and highest output copper mines in the world.

In the latest year BHP-Utah reported a record operating profit of A$412m. It would have been substantially higher but for a costly and embarrassing strike at Mt Newman, the world's biggest iron ore mine. With this apparently resolved, improved prices for coal, iron ore and manganese and a lower Australian dollar, the group's profits are expected to top the A$550m mark in the current year.

● From being a passive participant in the exploitation with Esso of Australia's Bass Strait, BHP can now claim to be a major operator in both oil and gas.

One reason is the acquisition abroad of the Energy Reserves Group and Monsanto Oil in 1985, and of Hamilton Oil in late 1987. Another is the North West Shelf gas project, Australia's biggest resources project, in which BHP holds the largest stake. BHP is also the principal operator in the Timor Sea, Australia's second major offshore oil province.

The group is now one of the world's top 12 non-state owned petroleum companies in terms of reserves. It has built up a portfolio of new exploration areas, regions of proven potential, developing projects and cash-generating fields, and this year it even moved into refining, through the acquisition of the strategically-positioned Pacific Resources in Hawaii.

The aim has been to secure profitability independently of oil price fluctuations. In the year just completed, BHP Petroleum came in third out of the group's three divisions, reporting an operating profit of A$338m, down 7 per cent. But most projections see steady increases over the next few years, not least because of the Timor Sea and the North West Shelf.

From all this, it is clear that Escondida, the North West Shelf and the Timor Sea will be BHP's principal new revenue generators over the next few years. But another feature highly relevant to its future, and commonly overlooked, is Beswick, the company owned 50-50 by BHP and Elders IXL, which has as its main asset a 23 per cent holding in BHP.

Beswick sprang from the 1988 settlement that ended the stand-off between BHP, Elders and Mr Holmes à Court. The arrangement is already showing a capital gain for BHP.

It has also resulted in Mitsubishi Development of Japan becoming a significant BHP shareholder, because Beswick on-sold to Mitsubishi the shares it received as dividends from BHP.

Even more handily, by 1993, when the arrangement is due to change, Beswick will offer the group the chance to use the BHP shares in some other advantageous way – to cancel them (and raise earnings per share), or use them in a paper-based acquisition.

According to the Were study, the Beswick arrangement is "one of the smartest pieces of corporate manoeuvring ever seen in Australia".

The ebullience about BHP's prospects is shared by most analysts, although they are rightly more cautious than the Were study about future earnings. Their biggest concern is a domestic recession and slowing world growth, which even the Were study admits would give BHP zero profit growth.

Because the group will never shake off this dependence on external factors, much hinges on the breadth, experience and commitment of BHP's management and workforce – particularly their ability to keep costs low. Yet for the first time in perhaps 25 years BHP appears to be "coming good".

BAT claims six flaws in Hoylake bid filings

By Nikki Tait

BAT Industries, the tobacco-based conglomerate, said yesterday that it has written to the insurance regulatory officials in Idaho, pointing out six deficiencies in the filings made by Hoylake, the consortium headed by Sir James Goldsmith, which is bidding £13bn for BAT.

These filings are necessitated by the proposed change of ownership of Farmers, BAT's US insurance subsidiary. The Californian insurance regulatory authorities have already asked Hoylake's legal advisers for additional information to that initially provided when the bid was launched.

BAT stressed yesterday that it had made its comments to the Idaho insurance regulators in response to a letter from them. The company said that its reply had stressed six inadequacies, the main one being the lack of any meaningful description of how the Farmers disposal would be implemented. Other criticisms included the "lack of any meaningful disclosure" about the people directing the business, the terms of the bonds and debt securities being offered by Hoylake to BAT shareholders, and the planned repayment schedule for Hoylake's debt.

Meanwhile, Mr Jacob Rothschild – the financier whose public and private interests form a large part of the Hoylake consortium – said yesterday that an announcement about further investors in Hoylake might be made towards the end of this week. These, he suggested, would be principally private individuals who had invested alongside members of the consortium in the past.

In the US, a court hearing of a complaint filed by BAT against Skadden Arps, the highly-regarded law firm which is advising Hoylake, has been set for next week. BAT is seeking to restrain Skadden from acting for Hoylake on the grounds that it acted as adviser to First Boston and Morgan Stanley, the two US investment banks which advised Farmers when BAT was attempting to acquire the insurance company last year.

INTERNATIONAL COMPANIES AND FINANCE

Gist scraps ACF Holding takeover after board rift

By David Brown in Amsterdam

GIST-BROCADES yesterday startled the Netherlands' business and financial community by scrapping its planned Fl 242m ($113m) takeover of ACF Holding, the rival Dutch biotechnology group, following a dramatic boardroom split.

The boardroom drama culminated last Friday in the resignation of Mr Gijs Bresser, Gist's managing board chairman and architect and principal proponent of the takeover of ACF.

It is understood that concern over the costs and potential risks connected with the merger, which was personally negotiated by Mr Bresser, had erupted into a revolt of Gist directors.

Full details of the merger, aimed at creating a company with annual sales of Fl 3bn and representing a first step in the pending reorganisation of the Dutch biotechnology sector, were first announced earlier this month.

ACF said yesterday it had been "unpleasantly surprised" by the unilateral announcement, considering the advanced stage the merger had reached. "This decision is not connected with the merits of the deal but is based on a crisis within the management of Gist," ACF said.

Attempts over the weekend involving the management and supervisory boards of both companies to salvage some portion of the plan ended in failure.

It is understood that each company unsuccessfully offered to buy the others' 50 per cent stake in Brocacef Holdings, the joint venture which is the Netherlands' second most important medical and veterinary products wholesaler.

Brocacef accounted for two thirds of ACF's net profit of Fl 14m last year on sales of Fl 1bn. Gist reported earnings of Fl 96m on sales of Fl 1.88bn.

Dutch boardroom rows of this magnitude, although rare, are not entirely unprecedented. In 1986 KLM scrapped an ambitious and well-advanced $975m bid for the Hilton International hotels group after its supervisory board failed to clear the deal.

Mandarin in Asia hotel projects

By John Elliott in Hong Kong

MANDARIN ORIENTAL, the Hong Kong-based luxury hotel group controlled by Jardine Matheson Holdings, has started moves aimed at establishing five-star hotels in New Delhi, India, and Kuala Lumpur, Malaysia.

It is also to refurbish the small government-owned Bela Vista Hotel in the Portuguese enclave of Macao, 40 miles from Hong Kong.

The projects were announced yesterday by Mr Robert Riley, Mandarin's managing director. He also said that talks about a possible purchase of a partly built hotel in South Korea had been abandoned.

In March the company reported a 42.5 per cent increase in net profits to HK$348m (US$44.6m) for 1988. But it has failed to clinch big new projects in the past couple of years and has lost several senior executives in recent months, including Mr Peter Tyrie, formerly joint managing director.

In India, Mandarin has signed a memorandum of understanding with Modi Overseas Investments for a joint venture hotel in the capital. Modi Overseas is controlled by Mr S.K. Modi, who belongs to the Delhi-based business family of the same name. Government approval is being sought for Mandarin and Modi each to take a 40 per cent stake in the venture. A search has begun for a site.

In Malaysia, Mandarin has taken a 50 per cent stake in Budi Ikhtiar, a new company which has bought a 1.8 acre site adjacent to the Kuala Lumpur race track. Government approval is being sought for a hotel of about 500 rooms.

Mandarin will subscribe HK$5m towards a HK$45m project to refurbish Macao's old palace-style 23-bedroom Bela Vista hotel. It has also obtained the management contract.

STDM, controlled by Mr Stanley Ho, will also subscribe HK$5m and the remaining HK$35m will be put up by the Government.

Mandarin, STDM and the Government are already partners in Macao's Mandarin Oriental Hotel.

Strong first-half gain at Crédit Suisse

CREDIT SUISSE, one of the big three Swiss commercial banks, reports a substantial increase in profits for the first half of 1989, with earnings for the year as a whole expected to show an improvement, John Wicks writes from Zurich.

The advance is in line with other results from the Swiss banking industry. Last Friday Swiss Bank Corporation announced a considerable half-year improvement and said it was optimistic about profitability for the rest of the year.

Later this week Union Bank of Switzerland is expected to round off the interim reporting season for the big three banks.

Total assets for Crédit Suisse at the end of June were SFr119.7bn ($72.9bn), up 5.6 per cent on the December 1988 level. Loans to customers were 14 per cent higher over the December to June period at SFr67.9bn. However, loans to banks declined 11 per cent to SFr28.07bn.

On the liabilities side, the bank said an inverted interest-rate curve in the half year led to a decline of SFr1.78bn in traditional savings deposits and an increase of SFr4.08bn in time deposits, which pay higher interest.

Bull sees return to profit after interim loss

BULL, the French state-controlled computer maker, expects to make a net profit this year in spite of a dramatic slide into losses for the first six months, Reuter reports.

An official said the group should, over the second half of the year, make up for activity lost during the first six months and realise a net profit for the 1989 financial year. The company had set no specific target.

In line with last month's indications, the group fell heavily into the red for the first half. A net loss of FFr537m ($83m) compares with a profit of FFr75m a year ago.

Bull said it aimed to restore profits by implementing a three-part recovery programme. This comprised improving deliveries, developing marketing activities and delaying certain investments.

The group said research and development spending would not be affected by these measures and should grow by 10 per cent from 1988's total of FFr3.6bn.

Group turnover in the six months ended June 1989 was FFr14bn against FFr13.8bn.

Bull attributed the first-half setback to the relatively late announcement of new products and noted that computer sales were traditionally stronger in the second half.

New products were announced later than in previous years to coincide with Bull's first worldwide exhibition, held in Rome at the beginning of June.

Bull stressed that the first-half loss was compounded by the time lag – greater than foreseen and likely to be temporary – between the revenue growth rate and operating and research and development expenses.

In spite of the earnings fall, total operating and research and development expenses increased by 8 per cent, in line with group forecasts.

Bull is the world's 10th largest computer group. The first six months are traditionally a low period for trading, accounting for between 35 and 40 per cent of annual revenues.

Allianz maintains a premium pace

Haig Simonian finds Europe's biggest insurer in up-beat mood

They call it the Wolfgang-see; the small pond outside the office of Mr Wolfgang Schieren, chief executive of Allianz, Europe's biggest insurance company.

True, the pool, clearly visible from Mr Schieren's window, is hardly on a par with Bavaria's bigger and better-known lakes like the Chiemsee, which prompted the nickname coined by Allianz insiders.

But then exaggeration has never been part of the Munich-based group's style. Rather the company, which yesterday announced record earnings for 1988, prefers to let its numbers speak for themselves. Seldom have they spoken so clearly. Not only were the figures the best in the 99-year-old group's history, but earnings for this year – its centenary year – promise to be better still.

Understanding Allianz's results remains something of a craft given its continuing policy of disclosing only incomplete earnings figures. But while fully consolidated reporting will only come this year, Allianz is already inching towards greater openness.

Thus it disclosed that total investments amounted to DM94bn ($49bn) last year, up from DM83bn in 1987. The total rises to DM130bn if all the funds under Allianz's management are included, compared with DM114bn in 1987.

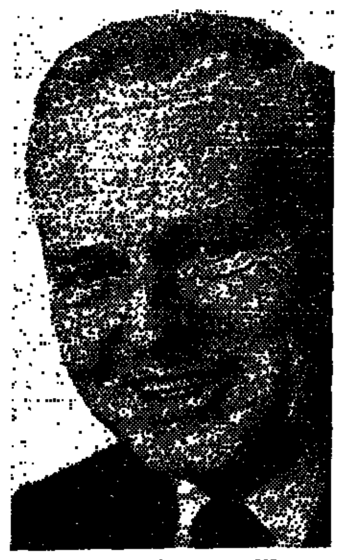
Greatly reduced write-offs on its investment portfolio lie behind much of the DM464m jump in pre-tax earnings – excluding Allianz's foreign operations and Allianz Leben, the life insurance unit – to DM1.24bn last year. Compared with the DM650m Allianz wrote off in 1987 as a result of the stock market crash and currency factors, it only had to set aside DM273m last year.

The remainder of last year's profits rise came from improved underwriting earnings, with domestic figures leading the way. German underwriting earnings climbed to DM465m from DM227m in 1987. Foreign underwriting, by contrast, remained in the red, although appreciably less so than before.

With foreign premium income likely to account for some 40 per cent of total group premiums this year, where does Allianz go from here?

Some themes have not changed. A sizeable US acquisition is still desired, but Allianz, by its own admission, remains as choosy as ever as to its target. As before, it wants a company that is in the top 20 in terms of premium income, and one that is both nationally represented and predominantly in property and casualty business. More recently, there has been a greater stress on involvement in industrial business too.

Mr Schieren maintains



Wolfgang Schieren: waiting for ideal candidate

Allianz can afford to wait for the ideal candidate. Its "war chest" is steadily growing, having been boosted in April by a DM1.3bn multicurrency warrant bond.

Officially the sum at its disposal is about DM2bn. In reality the figure is at least two to three times that, and probably more so if it chooses to borrow heavily.

The growing tendency to break up huge US conglomerates has opened up what just a few years ago were unimaginable acquisition prospects for Allianz. In a sense the waiting game has been worth playing.

Senior Allianz executives admit they are looking at about one US insurer a month now. One, unnamed, group was virtually in the bag recently until unexpected problems intruded, according to one executive.

But the German group is not rushing to conclude a deal. Price is not the problem, it maintains, but rather a good fit. And if it really feels it has to make a bid before the legal barriers come down, there remain a number of groups which might be acceptable if not ideal.

Meanwhile, in Europe, restructuring and consolidation are on the cards. Allianz, along with Riunione Adriatica di Sicurta (RAS), its Italian subsidiary, has taken a 3.5 per cent stake in Banco Popular Espanol, an investment which is already proving its worth.

Over the next three months it plans to consolidate its Spanish activities with those of RAS to build up premium income from DM600m to about DM1bn this year.

At the same time Allianz is moving to streamline its overall operating structure, with a stress on four main business areas – domestic and foreign property and casualty; financial products (including life insurance) and industrial insurance.

Bond Corp offshoot takes stake in Chinese brewery

By John Elliott

BOND CORPORATION International, the Hong Kong arm of Mr Alan Bond's Australian-based corporate empire, has completed the acquisition of a 85 per cent controlling stake in the Huizhou Brewing Company in southern China. It is injecting US$10.5m of equity.

The deal, announced in April, has gone ahead at a time when international companies are nervous about starting ventures in China following political upheavals after the Tiananmen Square massacre.

But the brewery is located only 100km north of Hong Kong in Guangdong province, which has for some years provided foreign companies with their easiest operating environment in China.

Mr Peter Lucas, Bond International's managing director, said last night that his company's representatives had taken over five of Huizhou's seven boardroom seats. It had also sent technical experts from Bond's Australian brewing empire – producer of Swan and Castlemaine XXXX – to introduce modern management methods and brewing technology.

Capacity is being raised to 50,000 tonnes a year by the middle of next year. Export inquiries have been received from undisclosed overseas buyers.

Foreign truck makers eye holding in Spanish group

FOREIGN truck makers are showing interest in buying a stake in Enasa, the Spanish truck producer, according to officials at Instituto Nacional de Industria (INI), the state holding company that owns it, AP-DJ reports.

Volvo of Sweden, MAN of West Germany and DAF Trucks of the Netherlands are all said to have made offers to the company, which expects to return to profit this year for the first time since the mid-1970s.

For the moment, however, no detailed discussions about a link-up are under way. INI does not exclude selling a stake in Enasa to a foreign partner.

Enasa, created in 1946 out of the remnants of the defunct Hispano Suiza car company, produces trucks, buses and armoured military vehicles. It has commercial agreements with both DAF, for the joint production of truck cabs, and MAN, for the sale in Spain under its own badge of light trucks produced by the West German company.

After years of heavy losses it is beginning to reap the benefits of a drastic cost-cutting programme begun in the early 1980s.

Last year it reduced group losses to Pta5.5bn ($46m) on revenue of Pta116bn from a 1987 deficit of Pta12.1bn on revenue of Pta104bn.

INTERNATIONAL COMPANIES AND FINANCE

All Nippon Airways hits European airspace

ANA began flights to Europe this week, starting the next stage of its thrust overseas, writes Stefan Wagstyl

All Nippon Airways, Japan's second largest airline – Japan Air Lines being the largest – is in such a hurry to increase its operations overseas that it is short of aircraft.

For instance, it had to borrow a plane from its Tokyo-Sydney route to start a new Tokyo to London service, which was inaugurated last weekend.

This willingness to improvise shows the determination with which ANA has been building an international network since 1986, when the Japanese Government broke the near-monopoly of international services held by JAL, the national flag carrier.

ANA has developed routes to the US, Asia and Australia. But the network was incomplete without a European arm. Mr Kenzo Yoshikawa, an ANA director, says: "Without a flight to Europe we would have had to halt our international development."

This year, ANA started services to Stockholm and Vienna jointly with Scandinavian Airlines System and Austrian Airlines – but the European partners fly the planes. The Boeing 747-400 which arrived at Gatwick on Saturday was the first scheduled flight to Europe that bore ANA's livery of white, light blue and dark blue.

In its advertising, ANA is trying to capitalise on being a newcomer to international services. Posters advertising three services launched this month – Tokyo-Bangkok and Tokyo-Moscow as well as Tokyo-London – look like advertisements for a new spy film.

"London Moscow Bangkok – can you solve this global mystery?" asks the caption.

For most of its 37 years, these destinations were off-limits for ANA, which was restricted by Japanese regulations to running only charter services overseas. The same rules prevented JAL from developing a large domestic network. ANA dominated a protected market in which its only serious rival was Japan Air Systems, a company less than half its size. In Kyushu, the southernmost of Japan's main islands, ANA's hold was so strong that staff at JAL nicknamed Kyushu ANA island.

The partial deregulation of Japanese air travel in 1986 allowed ANA to launch scheduled international services. Fortunately for ANA, this has coincided with a rapid expansion of both domestic Japanese travel and of international air travel, particularly in the Pacific Rim. The number of Japanese travelling abroad rose 23 per cent last year.

ANA has moved faster than industry analysts expected. Its first scheduled flight was to Guam, a Pacific island which is a US military base and Japanese holiday resort. Since then it has added flights to Sydney, Peking, Seoul, Hong Kong, Los Angeles and Washington, as well as the routes opened this year to Europe and Bangkok. Next on the agenda are services to Paris, Munich and either Madrid or Rome, plus extra routes to North America.

ANA has invested Y100bn ($704.7m) in international services so far, and plans to spend Y100bn a year over the next five years, mainly on new planes. It operates five long-range Boeing 747-400 aircraft and has 26 on order. It has also spent heavily on computers and on a new hangar at Tokyo's international airport at Narita which can house up to 20 jumbo jets.

ANA is expanding a chain of foreign hotels. In addition to 24 hotels in Japan it has six abroad, and is planning more including a 30-storey hotel to be built in Sydney.

As a result, ANA's foreign business is expanding rapidly, albeit from a low base. The number of passengers carried in the year to March was 824,000, 66 per cent more than the previous year. This year, ANA forecasts a further 24 per cent increase.

Nevertheless, foreign services account for only about 10 per cent of ANA's operating revenues, which totalled Y577.6bn last year. The international side made a loss of about Y6bn, compared with an overall operating profit of Y30.9bn. Mr Yoshikawa says that international services should reach break-even in 1991-92.

ANA's difficulty is squeezing the maximum return out of its expensive investments as quickly as possible. Load factors – the percentage of seats which are occupied – are not far short of JAL's at 73.7 per cent last year against 75.4 per cent for JAL. This is well above break-even on a per flight basis.

However, ANA does not yet have enough flights on each of its routes to make profits. A shortage of planes holds the company back, although this will ease as new ones are delivered. For example, the jet switched from the Sydney service to London will be replaced later this year. Similarly ANA is combating a lack of pilots by training 90 a year to add to its total of 1,000.

But international airline regulation is a far more serious obstacle. ANA is not free to go where it chooses. It can secure routes only through long negotiations with the Japanese Ministry of Transport, with foreign governments and airlines and with airport authorities.

Routes are mostly secured through swap agreements. For example, ANA obtained its London flight in exchange for the Tokyo service started this year by Virgin, the UK carrier. Under an unwritten agreement, almost every time ANA wins a new foreign route JAL is granted an additional one at home.

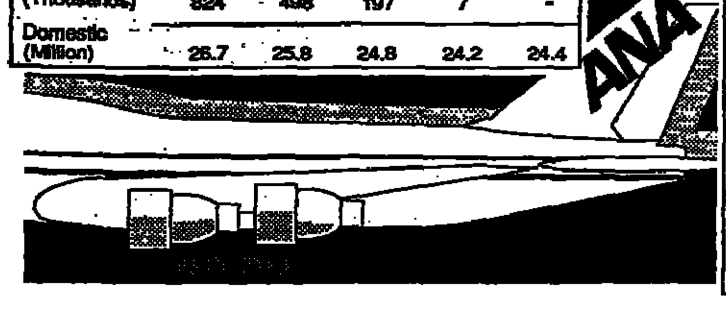
As long as the Japanese increase their travel by air, ANA can expect a sympathetic hearing from the ministry, which is committed to promoting competition between ANA and JAL. Foreign governments will be under pressure from their own carriers to strike deals that open new routes. But the room on the ground in Japan is limited, given that Narita airport is close to capacity as is the airport at Osaka, Japan's second city. Work on expanding Narita airport and building a new airport at Osaka has begun but will not be complete until the mid-1990s.

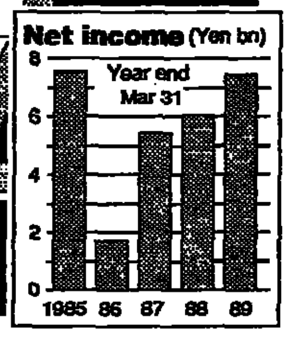
Moreover, the bigger ANA grows, the more it will become a competitive threat to JAL. Analysts say that ANA has some great strengths compared with its rival – notably a nationwide sales network based around its 66 domestic routes. As Japan becomes wealthier so more people from outside the large cities are travelling abroad, and these people may find it easier to book with ANA than with JAL.

However, JAL has much more experience of selling tickets overseas, so many more non-Japanese use its services. Also, it is one of Japan's most glamorous companies – attracting more job applications from young women than any other group. It will take time before passengers associate ANA with exotic holidays in the way that they do JAL.

Passengers carried

	1989	1988	1987	1986	1985
International (Thousands)	824	498	197	7	-
Domestic (Million)	26.7	25.8	24.8	24.2	24.4





Clothier doubles stake in Coles Myer

By Chris Sherwell in Sydney

MR SOLOMON LEW, an Australian clothing entrepreneur, has spent at least A$440m (US$329.3m) in more than doubling his stake in Coles Myer, the country's largest retailer, to 17.3 per cent.

He paid a high A$9 per share – above the market price of A$8.50 – for the 40.7m shares bought from Westfield Capital, controlled by Mr Frank Lowy, and is presumed to have paid above the market price for another 9.2m shares controlled by Mr Joseph Brender.

The two sales were described as coincidental, but Mr Brender, Mr Lowy and Mr Lew are all on Coles Myer's board.

It is unclear whether the Myer family, which controls 9.3 per cent of the group, was also offered the shares. Another major shareholder, K mart of the US, holds 21.7 per cent of the group in the form of non-voting stock.

Analysts saw Mr Lowy's decision to sell as indicative of the troubles which his Channel Ten television network, controlled by Westfield through the Northern Star group, was facing in the ratings war against the other two commercial networks.

Mr Lew was previously entitled to 40.2m Coles Myer shares, or 7.7 per cent of the company, which he held through Voyager Distributing Company, part of the clothing group he inherited from his father.

He built up the stake by accepting a takeover offer from the G.J. Coles retail chain when it made a controversial bid for the rival Myer group, in which he had acquired a 10 per cent holding in 1983.

Yesterday's shares were acquired through Premier Investments, of which Mr Lew is chairman and managing director, and in which his family has a significant interest.

According to some reports, Mr Lew, who is a friend of Mr Lowy, nurtures ambitions to control Coles Myer and make it part of another family retail dynasty.

But in the wake of yesterday's announcement, Mr Brian Quinn, Coles chairman, moved swiftly to stress that the changes would have no adverse effect on the company, one of the world's largest corporate retailers outside the US.

He said that both K mart and the Myer family were aware of the change in the Coles Myer register and were "comfortable with the new ownership mix."

Mr Lowy, whose main interest is in shopping centres, has indicated he will resign from the Coles Myer board in the near future.

In a statement yesterday he described Westfield's investment as having been a "very successful one," and said the A$9 price represented an attractive premium.

Mr Brender has not indicated his intentions, but as his board membership relates to his consultancy for Coles Myer's Katies retail chain, which is to continue, as well as his shareholding, he is thought unlikely to move.

Amoco falls 26% in oil and drugs setbacks

By Karen Zagor

AMOCO, the big US oil company, yesterday reported lower second-quarter earnings as softness in the US oil and drugs industries cut into profits.

Net income for the three-month period fell 26 per cent to $497m or 96 cents a share from $667m or $1.30 a year earlier. However, excluding extraordinary items in the recent and year-ago quarters, net income was virtually flat at about $530m. Revenues for the third quarter rose 11 per cent to $6.8bn from $6.1bn.

The Chicago, Illinois company attributed its reduced profits to lower margins from its chemical business and higher interest expenses incurred from the acquisition of Dome Petroleum. This offset gains from production and downstream operations.

● Ashland Oil, the Kentucky-based refiner, reported a 23 per cent slump in third-quarter profits to $44m.

Time gets go-ahead for $14bn Warner takeover

By Roderick Oram in New York

TIME INC was poised yesterday to pull off its $14bn takeover of Warner Communications, following final clearance from the Delaware Supreme Court.

There was never much doubt that the court's three justices would uphold a lower court ruling approving the transaction. During two hours of court hearings yesterday lawyers and analysts felt the tone of the justices' questions indicated their support for Time.

The court was hearing appeals by Paramount Communications and dissident Time shareholders who said the Time-Warner deal would deny Time shareholders the right to take a $200-a-share, $12.2bn takeover offer from Paramount.

Following the court's favourable ruling, Time said it hoped to complete the purchase of 100m Warner shares for $70 cash per share by the time its offer expired at 5pm. If it did not, it would extend the offer.

The purchase would give it just over 50 per cent of Warner's stock. The rest would be acquired with a $70-a-share package of cash and securities, the composition of which was still to be decided.

The Delaware Chancery Court had earlier turned down the request from Paramount and the shareholders to block Time's purchase of Warner. The court said Time's board had a right to undertake a long-term strategy for the company and it did not have to offer shareholders an attractive short-term alternative.

In the Supreme Court hearing yesterday, Justice G.T. Moore cited three earlier rulings by his court which upheld the principle of long-term strategies. "How many times does the court have to speak on this?" he asked somewhat irritably. The proceedings were televised live on nationwide cable television.

In other questioning of the parties, Justice Randy Holland asked repeatedly why Time's board had not put the Warner deal to a shareholder vote. Mr Robert Joffe, a Time lawyer, said his client had rejected the idea of a vote because it believed its shareholders would be confused by "misinformation" from Paramount.

Paramount has vigorously attacked the deal, saying, for example, that Time's board would lose a shareholder vote and that Time and Warner executives were going to benefit handsomely from the transaction.

Mr Steve Ross, Warner's chairman, has negotiated a package of pay, stock options and other financial rewards which could be worth up to $280m in the next five years.

The Time offer document also shows that some 500 Warner executives will be paid about $680m under a variety of stock option, share purchase and bonus schemes once the takeover is completed.

The figure dwarfs the previous record of $245m paid to 300 staff at RJR Nabisco following its $25bn leveraged buyout. The size of the payout created considerable public hostility.

Kodak sees 58% plunge in second quarter

By Karen Zagor in New York

EASTMAN Kodak, the world's largest maker of photographic products, yesterday said it expected a 58 per cent plunge in second-quarter earnings, reversing the company's earlier projections of a record year in 1989.

The Rochester, New York company said net income in the second quarter would fall by $225m or 70 cents a share because of one-off charges from internal restructuring and related write-offs.

In the second quarter of 1988, Kodak's net income was $390m or $1.20 a share on sales of $4.1bn.

The announcement follows a disappointing first quarter which saw earnings fall 23 per cent on the back of sharply lower profits from photographic products. Income was also hurt by the cost of acquiring Sterling Drug last year.

Mr Colby Chandler, chairman and chief executive, said: "Write-offs of equipment, materials and goodwill, along with special separation payments to outgoing employees, will reduce 1989 net earnings by about $225m, an amount which will be reflected in our mid-year report.

"This should be seen in a positive light, as we are paying now for superior performance in 1990 and beyond."

Mr Chandler added that the company's drug and chemicals businesses were performing well. However, he added: "Earnings from other operations are falling short of expectations, notwithstanding handsome volume gains. In many overseas locations, the artificially high value of the US dollar had a negative effect."

In 1988, overseas subsidiaries accounted for 41 per cent of Kodak's sales and 34 per cent of operating profits.

Shares in Kodak fell $1⅛ to $48 in midday trading on the New York Stock Exchange in a broadly lower market.

Honeywell unveils plan to improve shareholder value

By Roderick Oram

HONEYWELL, the electronic controls and avionics group long rumoured as a takeover target, announced yesterday a series of measures to improve shareholder value and reduce its dependence on weapons contracts.

Its stock leapt $¼ to $89 in a sharply lower stock market, but the shares are still some 10 per cent below the approximate value some analysts place on them.

Mr James Renier, chairman since late 1987, said yesterday that Honeywell wanted to pass on to shareholders benefits that were flowing from a restructuring begun in 1987.

The jump in first-half net profits to $137.7m or $3.19 a share from $89.3m or $2.11 a year earlier exceeded Wall Street forecasts, he said.

Beginning in the fourth quarter, Honeywell will increase its quarterly dividend by 65 cents per share to $2.75 per share and increase its share buyback programme from 3m to 10m shares, equal to some 23 per cent of those outstanding.

To increase operating profits by another $150m over the next 18 months, the company said yesterday it would cut 4,000 workers, or some 5 per cent of its worldwide payroll. It also plans to squeeze costs and improve management of working capital.

In terms of strategy, the company will focus more tightly on electronic controls in which it has a leading market position and where it sees the best opportunities for growth. Consequently, it will reduce its dependence on weapons manufacture in its defence marine systems division.

The operations booked sales of $1.4bn last year, out of a group total of $7.2bn, from products such as torpedoes and munitions. Honeywell said it would also sell "a substantial portion" of its 50 per cent stake in Yamatake-Honeywell, a Japanese electronic controls company listed on the Tokyo Stock Exchange.

Honeywell said the move would allow it to "unlock the value" of its investment in the venture while retaining the global research, development and distribution strategy it had mapped out with Yamatake-Honeywell.

Honeywell's controls businesses run the gamut from central-heating thermostats to avionics equipment. Some six out of seven US single-family homes use at least one of its climate control products and it has a 50 per cent share of the commercial avionics market.

However, huge headaches have accompanied its recent growth in avionics, fuelled by its $1.03bn purchase in 1986 of the Sperry aerospace division from Unisys, the computer maker.

The division has been plagued by cost overruns on fixed-price military contracts. The resulting write-offs were largely responsible for Honeywell's $435m loss last year, its second in three years, and a performance that severely damaged management's credibility with investors.

Cray, Hitachi in licensing deal

By Louise Kehoe in San Francisco

CRAY RESEARCH, the US supercomputer manufacturer, has signed a broad technology cross-licensing agreement with Hitachi of Japan which allows both companies to pursue their separate supercomputer developments without fear of infringing each other's patents or copyrights.

Although details were not revealed by either company, the agreement appears to be of a type that has become commonplace throughout the US computer industry in which companies agree to swap licensing rights on a broad portfolio of protected technologies.

International Business Machines and Compaq Computer, arch rivals in the personal computer market, recently signed a cross-licensing agreement.

The Cray-Hitachi deal is noteworthy because it involves US and Japanese companies competing in one of the most politically sensitive sectors of technology – the development of very powerful supercomputers.

Cray Research is the world leader in supercomputers with an estimated 200 machines installed, representing about two-thirds of the worldwide total. However, Hitachi, along with NEC and Fujitsu, is mounting a major challenge to Cray which has caused widespread concern in the US.

Supercomputers are also the subject of trade friction between the US and Japan. In its most recent action against alleged unfair Japanese trade practices, the US has cited Japan's failure to purchase US-made supercomputers.

Although some analysts have interpreted the agreement between Cray and Hitachi as a warming of relations between the US and Japanese industries, it may also be seen as an attempt by Hitachi to avoid the possibility of expensive and embarrassing litigation in the future.

In the past US companies have cited patent infringement in trade actions brought against Japanese companies, as well as in civil litigation.

Another potential advantage for Hitachi may be the ability to develop "Cray-compatible" supercomputers that could take advantage of the established base of software programmes designed to run on Cray supercomputers. However, Hitachi has not said that it intends to pursue such a strategy.

Cray may benefit by gaining access to Hitachi technology for high-speed semiconductor devices, analysts said.

Flat trading at Union Carbide

By Karen Zagor

UNION CARBIDE, a leading US chemical group, yesterday reported marginally lower second-quarter earnings after a long period of growth, reflecting a softening of the US chemical and plastics markets.

Net income for the three months ended June 30 was essentially flat, at $186m against $187m a year earlier. Revenues for the quarter were up 7 per cent at $2.28bn against $2.13bn a year ago.

Earnings per share fell 4 per cent to $1.33 from $1.39 the previous year. On a fully diluted basis, per-share earnings were down 5 per cent at $1.27 against $1.33. The company said the sharper decline in per-share income was because of a larger number of shares outstanding.

For the first half, net income jumped 35 per cent to $387m from $288m a year earlier. Earnings per share, on a fully diluted basis, were up 38 per cent at $2.64 against $2.06 on sales that rose 11 per cent to $4.52bn from $4.08bn.

Carbide said gross margins for the quarter rose to $754m from $733m. However, the gross margin ratio fell to 33.1 per cent from 34.4 per cent, mainly as a result of lower margins for the chemicals and plastics segment.

Overall operating profits fell 2 per cent to $384m. Operating profits from chemicals fell 9 per cent in the quarter, continuing the first-quarter decline which saw chemicals profits fall from $162m to $130m.

Operating profits in the company's other businesses remained strong. Profits for the industrial gases sector rose 35 per cent to $80m. Profits for the company's carbon products unit were up 19 per cent at $19m.

The Danbury, Connecticut-based company said all its industry segments reported increased sales.

Cummins profits rise sharply

By Our Financial Staff

CUMMINS ENGINE, the US diesel engine manufacturer, unveiled a sharp increase in second-quarter profits, but warned that the market for heavy-duty trucks was slowing.

The group, which last week announced it was buying out the near 10 per cent stake held by Hanson, the British conglomerate, took net second-quarter profit to $33.9m, against $1.74m last time.

The improvement drove up earnings per share for the quarter to $2.03, compared with a 3 cents loss in the same period last year.

Sales rose to a record $928m for the quarter from $834.4m and the group said the improvement was achieved despite a softening in the market.

However, it warned that the recent uncertainty in the US economy was being reflected in slower industry order rates for heavy-duty trucks and softening demand for components and power systems.

Cummins added that if these conditions persisted, second-half results would be affected.

At the halfway stage net profit jumped to $43.4m from $9.2m while earnings per share were lifted to $3.65 from 48 cents. Sales went ahead to $1.85bn, against $1.63bn.

In April the group announced earnings of $19.5m or $1.61 a share for the first quarter.

These results put an end to three quarters of losses and was the company's best performance since the first half of 1985.

Hanson sold the Cummins shares for $72m or about $69 a share. The UK group's stake had led to speculation on Wall Street that a takeover was likely.

Smithkline boosts net income by 20%

By Our Financial Staff

SMITHKLINE BECKMAN, the US drugs group which plans to merge with Beecham of the UK, lifted net income by around 20 per cent from $98.7m to $118.6m in the second quarter.

The group said that each of the company's major businesses contributed to an increase in income and sales, but added that the strong dollar had clipped sales totals at both the quarter and halfway stage.

Earnings per share for the quarter rose to 94 cents from 79 cents last time, while sales advanced to $1.25bn against $1.13bn.

The group said that US sales of its Tagamet and Dyazide drugs increased in the second quarter, compared with a weak quarter last year.

Worldwide sales of Tagamet were up 2 per cent at $554m over the first half of last year.

For the six months net income declined to $248.8m from $265.3m, while earnings per share fell to $1.99 from $2.13. Sales for the period rose to $2.49bn, compared with $2.29bn.

Weakening metal prices hold back Inco growth

By Kenneth Gooding, Mining Correspondent

INCREASED wage costs and weakening metal prices in the second quarter slowed the earnings growth of Inco, the Canadian group which is the world's largest nickel producer.

Net earnings were US$195.7m or $1.84 a share, compared with $190.2m or $1.8 in the second quarter of 1988.

The total included $16.4m or 16 cents a share of extraordinary credits from prior years' tax losses, compared with $8.8m or 8 cents the year earlier.

Inco's realised nickel prices averaged $5.97/lb during the second quarter, ahead of the $5.41 in the second quarter last year but down from the record $6.59 achieved in the first quarter this year. Inco said it was still experiencing strong demand for its nickel products.

Realised copper prices averaged $1.15/lb in the second quarter against $1.04 in the same months last year, but down from $1.39 in the first quarter of 1989.

Inco delivered 133,000 lbs of nickel in all forms in the second quarter, compared with 115,000 lbs in the same period last year, and 73,000 lbs of copper, against 66,000 lbs.

Pharmaceutical strength lifts Schering results

By Karen Zagor

SCHERING-PLOUGH, the US drugs, healthcare and cosmetics company, yesterday reported strong growth in second-quarter earnings.

Net income for the three months rose 19 per cent to $120.5m or $1.07 a share from $101.0 or 90 cents a year earlier. Sales increased 7 per cent to $805.5m from $752.6m.

For the first half, net income improved 22 per cent to $246.2m or $2.19 a share from $202.5m or $1.81 a share the previous year, while sales increased 9 per cent to $1.64bn from $1.51bn.

Mr Robert Luciano, chairman and chief executive, attributed the second-quarter improvement to a strong performance by the company's worldwide pharmaceutical business, where sales rose 12 per cent. Domestic business grew 20 per cent in the quarter.

The Madison, New Jersey company controls about 20 per cent of the domestic cosmetics market.

Profits at Schering-Plough, like other US pharmaceutical and drugs companies, were hit by the strong dollar.

Mr Luciano said he expected sustained growth through the second half and full-year earnings to increase by 20 per cent.

Reebok stumbles halfway

By Alice Rawsthorn

REEBOK International, the US sportswear company best known for its running and aerobics shoes, yesterday announced a fall in second quarter earnings from $45.42m to $40.75m.

The company – in which Pentland Industries of the UK holds a sizeable stake – said it was confident that it would muster an increase in second half earnings compared with the same period last year.

Reebok predicted a reduction in second-quarter earnings when it announced its first-quarter results in April.

The company saw sales fall from $462.03m to $431.48m in the second quarter. Its gross margins, as a percentage of sales, rose from 38 to 42 per cent.

The level of inventories had fallen from $366m to $259m by June 30, at the end of the second quarter.

INTERNATIONAL CAPITAL MARKETS

US market cautious as it waits for rash of data

By Janet Bush in New York

US TREASURY bonds started with slim losses yesterday morning, but then recovered to stand modestly higher at mid-session.

The Treasury's benchmark long bond was quoted ⅛ point higher for a yield of 8.18 per cent. The yield on three-month Treasury bills was quoted at 8.35 per cent.

The cautious start to the day reflected disappointment that the dollar had not appreciated more dramatically against the yen in response to the Upper House electoral defeat for the ruling LDP party and the resignation of Mr Sousuke Uno as Japan's Prime Minister.

GOVERNMENT BONDS

Bonds then reversed their losses, reflecting a slightly firmer dollar. It was quoted at Y143.05 at midsession, close to its high in Tokyo of Y143.25.

The mood was very cautious at the beginning of a busy week for economic data and persistent uncertainty about whether the US Federal Reserve will ease monetary conditions another notch. Durable goods order figures for June, which Mr Alan Greenspan, Fed chairman, told Congress he would be looking at carefully, are due today, along with the employment cost index, a closely watched indicator of wage pressures.

■ JAPANESE government bond prices closed unchanged or slightly higher, easing late in the day after early gains. Buying was spurred by the resignation of the country's highly unpopular Prime Minister, Mr Sousuke Uno.

Dealers said the rise in bond prices, an atypical reaction in the Japanese bond market to political uncertainty, reflects relief that Mr Uno's resignation and the elections are finally out of the way. However, the LDP must still find a credible successor to Mr Uno and that is expected to weigh on bond prices for some time.

Significantly, bond prices managed to shrug off weakness in the yen which briefly slipped below 143 to the dollar and showed softness against the European Monetary System.

In the futures markets, dealers noted that open interest in the nearby September 10-year bond contract is at Y18 trillion, an unusually large amount. Yields on the benchmark JGB 111 closed one basis point lower at 5.19/18 per cent, while the JGB 119 closed unchanged at 4.99/98 per cent.

■ UK GOVERNMENT bonds closed unchanged or slightly lower in very thin trading, with dealers commenting that the summer doldrums appear to be upon them. Gilts prices withstood news of wage settlements in major industries at above the rate of inflation — which normally sends prices tumbling. But dealers commented that the shortage of stock and a recent "flight to quality" in the face of the £13bn bid for BAT Industries had encouraged accounts to hold on to whatever paper they already have in portfolio.

■ WEST GERMAN government bond prices closed unchanged or slightly weaker after losing ground earlier in the day on the dollar's strength. Dealers noted that summer doldrums have apparently set in.

Evidence of the extremely quiet market was seen by the Bundesbank's move to purchase slightly over DM100m in securities. Late buying by professionals restored most of the day's earlier losses, but little retail activity was noted.

A DM6.6bn repurchase agreement is set to mature today and dealers are awaiting an announcement from the Bundesbank about whether its replacement will be in fixed- or variable-rate form.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	100-21	-3/32	10.94	10.93	11.61
		9.750	1/98	97-08	+0/32	10.24	10.25	10.76
		9.000	10/08	97-00	-2/32	9.34	9.32	9.74
US TREASURY *		8.125	5/99	107-05	+3/32	8.05	8.04	8.31
		8.875	2/19	109-04	+4/32	8.14	8.10	8.27
JAPAN	No 111	4.800	6/98	98.4937	+0.089	5.18	5.28	5.40
	No 2	5.700	3/07	108.3661	-0.001	5.02	5.06	5.15
GERMANY		7.000	2/99	102.1500	-0.050	6.68	6.68	6.74
FRANCE	BTAN	8.000	1/94	97.2151	+0.072	8.75	8.82	8.90
	OAT	8.125	5/99	97.3200	-0.080	8.53	8.57	8.85
CANADA *		10.250	12/98	108.3700	-0.080	8.97	9.30	8.44
NETHERLANDS		7.000	3/99	98.4200	+0.020	7.08	7.04	7.14
AUSTRALIA		12.000	7/99	91.9870	+0.051	13.48	13.41	13.63

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, July 24, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	61.3411	32.1197	42.8263
Albania	(Lek)	10.0597	6.2173	3.2556	4.3407
Algeria	(Dinar)	12.4971	7.7237	4.0443	5.3924
Andorra	(Fr Fr)	10.4700	6.4709	3.3883	4.5177
	(Sp Peseta)	193.50	119.5920	62.6213	83.4951
Angola	(Kwanza)	49.148	30.3757	15.9055	21.2073
Antigua	(E Carr $)	4.3821	2.7083	1.4181	1.8908
Argentina	(Austral)	1058.875	654.4344	342.6779	456.9059
Aruba	(Florin)	2.9052	1.7955	0.9401	1.2535
Australia	(Aus $)	2.1668	1.3391	0.7012	0.9349
Austria	(Schilling)	21.705	13.4147	7.0242	9.3656
Azores	(Port Escudo)	258.05	159.4870	83.5113	111.3484
Bahamas	(Bahama $)	1.6180	1	0.5236	0.6981
Bahrain	(Dinar)	0.6111	0.3776	0.1977	0.2636
Balearic Is	(Sp Peseta)	193.50	119.5920	62.6213	83.4951
Bangladesh	(Taka)	50.50	31.2113	16.3430	21.7907
Barbados	(Barb $)	3.2643	2.0174	1.0564	1.4085
Belgium	(Belg Fr)	64.65c	39.9567	20.9223	27.8964
		65.45g	40.4511	21.1812	28.2416
Belize	(B $)	3.2460	2.0061	1.0504	1.4006
Benin	(CFA Fr)	523.50	323.5475	169.4174	225.8899
Bermuda	(Bermudian $)	1.6180	1	0.5236	0.6981
Bhutan	(Ngultrum)	26.40	16.3164	8.5436	11.3915
Bolivia	(Boliviano)	4.3010	2.6582	1.3919	1.8558
Botswana	(Pula)	3.2950	2.0364	1.0663	1.4217
Brazil	(Cruzado)	3.2215	1.9910	1.0425	1.3900
British Virgin Is	(US $)	1.6180	1	0.5236	0.6981
Brunei	(Brunei $)	3.1815	1.9663	1.0296	1.3728
Bulgaria	(Lev)	1.3580	0.8393	0.4394	0.5859
Burkino Faso	(CFA Fr)	523.50	323.5475	169.4174	225.8899
Burma	(Kyat)	11.1325	6.8804	3.6027	4.8036
Burundi	(Burundi Fr)	251.45	155.4079	81.3754	108.5005
Cameroon	(CFA Fr)	523.50	323.5475	169.4174	225.8899
Canada	(Canadian $)	1.9235	1.1888	0.6224	0.8299
Canary Is	(Sp Peseta)	193.50	119.5920	62.6213	83.4951
Cp. Verde Is	(CV Escudo)	127.1539	78.5870	41.1501	54.8668
Cayman Is	(CI $)	1.3471	0.8325	0.4359	0.5812
Cent.Afr. Rep	(CFA Fr)	523.50	323.5475	169.4174	225.8899
Chad	(CFA Fr)	523.50	323.5475	169.4174	225.8899
Chile	(Chilean Peso)	424.53	262.3794	137.3883	183.1844
China	(Renminbi Yuan)	6.041	3.7536	1.9550	2.6066
Colombia	(Col Peso)	629.11	388.8195	203.5954	271.4606
Comoro Is	(CFA Fr)	523.50	323.5475	169.4174	225.8899
Congo (Brazz)	(CFA Fr)	523.50	323.5475	169.4174	225.8899
Costa Rica	(Colon)	128.4605	79.9946	41.5729	55.4306
Cuba	(Cuban Peso)	1.2361	0.7639	0.4000	0.5333
Cyprus	(Cyprus £)	0.8030	0.4962	0.2598	0.3464
Czechoslovakia	(Koruna)	24.45c	15.1112	7.9126	10.5501
		15.85l	9.7960	5.1294	6.8392
		15.85t	9.7960	5.1294	6.8392
Denmark	(Danish Kroner)	12.00	7.4165	3.8834	5.1779
Djibouti Rep	(Djib Fr)	287.00	177.3794	92.8802	123.8403
Dominica	(E Carrib $)	4.3821	2.7083	1.4181	1.8908
Dominican Rep	(D Peso)	10.4034	6.4297	3.3667	4.4890
Ecuador	(Sucre)	851.53o	526.2855	275.5760	367.4347
		892.93a	551.8726	288.9741	385.2988
Egypt	(Egyptian £)	4.185	2.5865	1.3543	1.8058
El Salvador	(Colon)	8.1175	5.0169	2.6270	3.5026
Equat'l Guinea	(CFA Fr)	523.50	323.5475	169.4174	225.8899
Ethiopia	(Ethiopian Birr)	3.3342	2.0606	1.0790	1.4387
Falkland Is	(Falk £)	1.00	0.6180	0.3236	0.4314
Faroe Is	(Danish Kroner)	12.0000	7.4165	3.8834	5.1779
Fiji Is	(Fiji $)	2.4725	1.5281	0.8001	1.0668
Finland	(Markka)	6.9485	4.2944	2.2487	2.9982
France	(Fr)	10.4700	6.4709	3.3883	4.5177
Fr. Cty/Africa	(CFA Fr)	523.50	323.5475	169.4174	225.8899
Fr. Guiana	(Local Fr)	10.4700	6.4709	3.3883	4.5177
Fr. Pacific Is	(CFP Fr)	188.00	116.1928	60.8414	81.1218
Gabon	(CFA Fr)	523.50	323.5475	169.4174	225.8899
Gambia	(Dalasi)	9.9815	6.1690	3.2302	4.3070
Germany East	(Ostmark)	3.0900	1.9097	1	1.3333
Germany West	(D Mark)	3.0900	1.9097	1	1.3333
Ghana	(Cedi)	438.8303	271.2177	142.0162	189.3550
Gibraltar	(Gib £)	1.00	0.6180	0.3236	0.4314
Greece	(Drachma)	267.15	165.1112	86.4563	115.2750

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
[illegible]					
Pakistan	(Pak. Rupee)	33.30	20.5809	10.7766	14.3689
Panama	(Balboa)	1.6180	1	0.5236	0.6981
Papua New Guinea	(Kina)	1.4146	0.8742	0.4577	0.6103
Paraguay	(Guarani)	- 1915.73	1184.0111	619.9773	826.6364

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
[illegible]					
Zaire Rep	(Zaire)	578.75	357.6946	187.2977	249.7303
Zambia	(Kwacha)	-			
Zimbabwe	($)	3.4750	2.1477	1.1245	1.4994

Special Drawing Rights July 21 1989 United Kingdom £1.28293 United States $1.26936 Germany West D Mark 2.40975 Japan Yen179.868 European Currency Unit Rates July 24 1989 United Kingdom £1.49021 United States $1.08810 Germany West D Mark 2.07447 Japan Yen154.968

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate, (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.
Monday, July 24, 1989.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on July 24

[illegible]

* No information available-previous day's price
† Only one market maker supplied a price

[illegible]

[illegible]

Morgan Guaranty raises spirits with L100bn issue

By Andrew Freeman

IT WAS left to the lire sector of the Eurobond market to lift new issue traders' spirits yesterday, as most of the major currency sectors were inactive. While dollar issues in particular proved elusive, a L100bn four-year issue for Morgan Guaranty caught investors' eyes and traded strongly.

The bonds, brought by Banco di Roma, came with a 12¾ per cent coupon and were priced to yield 12⅜ per cent. Amid surprisingly buoyant demand, the paper traded at less 1.10 bid, inside underwriting fees. At that level, the yield had tightened to around 12.58 per cent. The issue proceeds were unswapped.

INTERNATIONAL BONDS

According to the lead manager, demand was heaviest from fund managers in West Germany and the Benelux countries, with other syndicate members reporting good interest from Switzerland. As the price firmed, co-managers worried that they might not receive their full allocations.

The combination of the coupon and the borrower's name underwrote the issue's success, although demand was also attributed to asset allocation decisions by German funds which have been moving out of French francs towards lire.

The deal was difficult to price because there is no four-year benchmark in the Italian domestic market. The nearest equivalent was the L150bn 11⅞ per cent Olivetti deal which was yielding around 20 basis points below the launch level of the Morgan Guaranty bonds.

In Germany, Merrill Lynch Bank unveiled an innovative solution to its problems with the Spanish financial authorities over the Finnish Export Credit DM35m issue with redemption linked to the peseta exchange rate it launched on July 3. The Spanish finance ministry requested that the deal be withdrawn, arguing that it had not received the necessary approval.

Merrill announced yesterday that it has withdrawn the original issue, replacing it with a straight maturity DM35m deal and 350,000 variable redemption currency warrants of the same maturity which carry the specific approval of the Spanish authorities. "The decision was taken jointly with the Spanish," said a Merrill official.

The new bonds and warrants allow Merrill to offer its investors the same cashflows and foreign exchange exposures as those on the original deal, the only difference being the higher coupon on the bonds.

In the German bond market, prices ended a touch easier after what dealers described as marginal trading. Today, Bank of Tokyo is expected to announce the full terms of a DM100m seven-year issue for Electricidade de Portugal.

Elsewhere, UBS Phillips & Drew was the lead manager of a C$100m three-year issue for Toronto-Dominion Bank. The bonds were launched with a 10¼ per cent coupon to yield some 42 basis points over government bonds.

There was some comment that this spread was tight, and the bonds were quoted on fees at less 1⅜ bid amid comment that the coupon should attract retail interest.

The spread widened slightly to around 44 basis points, reflecting a rally on the Canadian Treasury market. The proceeds were swapped into floating-rate Canadian dollars.

The deal was syndicated on so-called "take and pay" lines, whereby houses were offered a range of commitments, immediate allotment and full protection. In Switzerland, prices of straight-maturity bonds ended slightly better. The Atsugi Nylon SFr400m convertible issue is due to be priced today. The bonds were trading in the grey market at less 1 bid amid steady demand.

● A syndicated loan for HK$10.5bn to fund construction of Hong Kong International Terminal's container port facilities has been over-subscribed at the underwriting level by a group of 10 banks.

The financing involves two separate loans. An HK$8.4bn loan to cover part of the development costs associated with terminals six and seven at the Kwai Chung container port stretches over 9¾ years, at 0.5 point above the Hong Kong interbank offered rate (Hibor) for the first three years and 0.375 point above Hibor for the remaining period. The other facility, a 7¼-year HK$2.1bn loan for a cargo distribution centre to be built on part of terminal four at Kwai Chung, is at 0.375 point above Hibor.

Both loans have been underwritten by Hongkong and Shanghai Banking, Bank of China, CEF Capital, Chase Manhattan Bank, Dai-Ichi Kangyo Bank, Hang Seng Bank, The Industrial Bank of Japan, Mitsubishi Bank, Standard Chartered Bank and Sumitomo Bank.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
LIRE						
Morgan Guaranty Trust Co.◆	100bn	12¾	101⅝	1993	1⅝/1⅛	Banco di Roma
CANADIAN DOLLARS						
Toronto-Dominion Bk(Cayman)◆	*100*	*10¼*	*101.30*	*1992*	*1⅜/⅞*	*UBS Phillips & Drew*
D-MARKS						
Finnish Export Credit(a)◆	35	15⅛	100	1991	1¼/⅞	Merrill Lynch Bank
YEN						
Sapporo Finance Int.(b)♠◆	10bn	6	101¾	1995	1⅞/1¼	Nomura Int.
Abbey National★★◆	5bn	6	101⅜	1992	1⅜	Daiwa Europe

★★Private placement. ♠Currency-linked. ◆Final terms. a) Issue price includes currency warrants. 350,000 currency warrants issued at DM75 each. No redemption. This issue replaces DM35 m issue launched July 3, with redemption in DM linked to Peseta/DM exchange rate a t maturity. b) Redemption in US$.

Philly's fancy turns to thoughts of merger

The oldest US stock exchange is making eyes at Amex, reports Deborah Hargreaves

THE Philadelphia Stock Exchange raised eyebrows among its members last week when it confirmed it was involved in merger talks with three other US exchanges.

While some traders would welcome a combination with another institution, the nation's oldest securities exchange has always stuck firmly by its independence. "Some of us would resent losing that independence, but most of our members are New York firms anyway," said Mr Bob Damerjian, vice president at MH-Financial Options Group.

Mr Damerjian highlights one of the realities facing Philadelphia now that the 200-year old exchange has grown beyond the bounds of a regional stock exchange. The PHLX's biggest attraction in any combination would be its burgeoning business in currency options which is almost exclusively the domain of New York's big banks and brokerage houses.

Independent regional firms do not have the financial muscle to participate in currency options. Mr Damerjian's firm, Financial Options Group was taken over by Manufacturers Hanover – one of New York's main clearing banks – several years ago.

Physical proximity and large cross membership are reasons why the PHLX has, for many years, been discussing a merger with the American Stock Exchange.

This time, it is more serious about a merger partly because of a decision by the Securities and Exchange Commission which will make it more difficult for regional exchanges to compete in stock options against industry giants like the Chicago Board Options Exchange and Amex.

The SEC's decision abolishes a lottery system by which new options listings are allocated exclusively to one exchange. It opens up the equity options business to more competition next year. The decision has been roundly criticised by options exchanges across the country as a move that would lead to the fragmentation of the market. "Some people on our exchange believe the SEC made the ruling with a disregard for fair and even competition," said Mr Nicholas Giordano, president of the PHLX, "and that makes them want to look at opportunities with other exchanges."

Mr Giordano maintains that without electronic linkage on equity options between US exchanges it is difficult to see the SEC's decision leading to more competition. "With no ability to force public orders to go to the best marketplace, the market will fall prey to the natural biases that exist with some members." He believes much business could gravitate to New York where major options users are based.

Another strong impetus for merging lies in the contraction of the equity options business since 1987's stock market crash. Mr Giordano estimates that participation in stock options across the industry was down by 30 to 40 per cent last year when measured against 1987.

This year has seen the industry bouncing back slightly, but stock options volume is still down by 10 to 20 per cent from 1987's heyday. Retail investors remain wary of the options business in spite of efforts by options exchanges to entice them back.

Nevertheless, the PHLX has seen huge growth in its overall trading volume in the first half of this year. The exchange saw a 29 per cent leap in volume of securities traded to some 413m shares. At the same time, equity options volume was close to 9m contracts from around 7m in the first half of last year. The PHLX's currency options, which have blossomed since their inception in 1982, posted a 14 per cent rise in the first half to 5.7m lots. Foreign currency options set a one-month trading record this May when volume reached 1.3m contracts.

Philadelphia trades a 12 per cent share of the nation's stock options business compared with 44 per cent at the CBOE and 21 per cent at Amex. A combination between Amex and the PHLX would forge a powerful challenge to the CBOE's leadership of the industry.

There would be other logical rationalisations in a merger between the two exchanges. Both operate a specialist system for stock and options trading that would combine well. While the PHLX is strong in currency options, Amex has a fairly strong index options sector, although this was hit hard by the crash.

Both exchanges have launched new index participations – baskets of shares that function in a similar way to stock index options. These have caught on much faster at Amex than they have at the PHLX but they remain under a cloud of litigation since the Commodity Futures Trading Commission – the futures industry regulatory body – maintains they should be classed as futures contracts.

A merger between the PHLX and Amex would move the PHLX's options business to New York where the combined exchange could provide head on competition with the CBOE. The PHLX would remain in Philadelphia as a regional stock exchange.

The PHLX says it expects to make some decision within a few months. But, in speculating on the success of a merger, Mr Giordano points to the immense ego and political problems to be faced.

Indeed, the odds are not in favour of a merger if previous attempts are anything to go by. The history of US stock exchanges is littered with aborted merger attempts. The last to be completed was in 1959 when the New Orleans Stock Exchange merged with the Midwest Stock Exchange in Chicago. The PHLX stresses it is under no pressure to merge

Terry Kirk

Raised eyebrows as the Philadelphia Stock Exchange puts its independence on the line

EIB makes largest escudo bond issue

By Diana Smith in Lisbon

THE European Investment Bank (EIB) yesterday announced a Es10bn ($62m) bond issue, the largest made on the Lisbon market, and the largest international escudo bond issue ever.

It is the second time in a year that the EIB has gone to the bond market to raise funds to finance its widespread operations in Portugal. The first issue last autumn cautiously tested the market with Es5bn in bonds and was so heavily over-subscribed that the EIB decided it would tap the demand with a larger issue. The bonds, which were launched by the private Banco Portugues do Investimento and investment firm MDM Sociedade de Investimento, will be available on the Lisbon stock exchange to both residents and foreigners. The issue has a maturity of 8.5 years and carries a 14¼ per cent coupon. The coupon will be reviewed after two and five years.

In order not to have to import funds to finance operations in Portugal that should this year bring Portuguese public and private borrowers more than Ecu500m in EIB loans, the EIB resolved to go to the growing escudo bond market.

The market fell into doldrums for some months after the 1987 stock-market crash, but began to recover timidly in late 1988 and this year has attracted a flood of new investors in search of paper.

Because of the EIB's reputation on the international scene, its bond issues are a magnet for Portuguese and foreign institutional investors.

ITI seeks BFr1bn loan

By Norma Cohen

IRISH Telecommunications Investments is seeking a BFr1bn seven-year fixed-rate term loan to be placed privately with a single investor, Bacob Savings Bank.

The loan pays interest at 8.60 per cent per year. The borrower is the wholly-owned investment financing subsidiary of Bord Telecom Eireann, the Irish state-owned telecommunications company. Daiwa Bank is the arranger.

● Ince has mandated Chase Investment Bank to arrange for it the Ecu equivalent of L1bn for a 10-year term loan. The margin is 25 basis points above Libor with fees not yet determined.

The borrower is an Italian credit institution 75 per cent-owned by Banco Populare di Navarra.

● **Bulgarian Foreign Trade Bank's** seven-year Eurocredit facility has been increased to $250m from the $150m initially announced, said Deutsche Bank Luxembourg, the arranger. The loan pays interest of 40 basis points above Libor.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section	Mon Jul 24 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Jul 21 Index No.	Thu Jul 20 Index No.	Wed Jul 19 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (206)	981.51	−1.0	10.79	4.08	11.38	16.49	991.70	998.60	999.99	801.42
2	Building Materials (29)	1210.97	−0.6	11.93	4.35	10.34	25.92	1218.12	1229.87	1232.33	1002.21
3	Contracting, Construction (37)	1614.88	−0.7	14.49	4.35	9.05	32.70	1626.52	1654.09	1668.33	1598.15
4	Electricals (9)	2934.42	−0.7	8.13	3.92	15.17	50.60	2955.03	2987.00	3001.64	2187.97
5	Electronics (30)	2247.18	−0.9	8.64	3.30	15.10	23.95	2267.40	2258.72	2256.09	1758.01
6	Mechanical Engineering (55)	544.57	−1.6	9.78	3.90	12.58	9.50	553.30	558.05	557.52	419.87
8	Metals and Metal Forming (6)	527.21	−0.6	19.46	5.65	5.63	3.23	530.32	532.31	527.44	503.36
9	Motors (17)	341.92	−1.1	10.82	4.44	10.85	6.83	345.66	348.23	350.31	281.33
10	Other Industrial Materials (23)	1673.46	−1.5	9.24	4.19	12.93	32.74	1698.09	1716.56	1722.22	1312.66
21	CONSUMER GROUP (186)	1290.68	−0.9	8.54	3.48	14.64	20.25	1302.80	1304.67	1305.88	1091.52
22	Brewers and Distillers (22)	1422.62	−0.8	9.39	3.44	13.32	21.75	1434.53	1432.56	1429.19	1108.65
25	Food Manufacturing (20)	1188.90	−0.8	8.55	3.51	14.65	20.55	1198.08	1204.62	1210.69	1003.76
26	Food Retailing (14)	2464.49	−0.8	8.19	2.80	16.12	32.27	2483.12	2484.39	2500.17	1981.37
27	Health and Household (14)	2291.66	−0.7	6.45	2.60	17.59	22.20	2308.82	2321.93	2328.26	1832.48
29	Leisure (33)	1709.54	−1.0	7.39	3.26	16.96	29.19	1727.28	1728.15	1711.96	1330.87
31	Packaging & Paper (15)	595.87	−0.4	9.78	4.13	12.91	8.30	598.21	600.14	596.16	529.54
32	Publishing & Printing (19)	3649.08	−0.9	8.59	4.56	14.93	71.88	3680.53	3660.05	3642.61	3510.19
34	Stores (34)	855.03	−1.7	10.54	4.25	12.38	16.19	869.48	868.72	873.08	809.29
35	Textiles (15)	551.38	−0.4	10.85	5.26	11.04	14.97	553.72	555.49	557.62	607.39
40	OTHER GROUPS (94)	1175.03	−1.0	9.69	4.01	12.55	19.58	1187.44	1192.41	1188.51	889.73
41	Agencies (17)	1416.74	......	7.87	2.31	17.49	15.62	1416.71	1416.46	1388.23	1147.02
42	Chemicals (23)	1303.05	−0.3	10.81	4.59	10.92	27.02	1306.41	1301.28	1307.17	1054.13
43	Conglomerates (13)	1672.16	−1.4	10.13	4.88	11.56	26.22	1695.61	1711.15	1712.37	1203.70
45	Transport (13)	2443.16	−2.3	8.59	3.69	15.12	39.22	2501.72	2528.87	2528.01	1900.16
47	Telephone Networks (2)	1075.60	−1.2	11.40	4.61	11.43	22.38	1088.19	1105.52	1097.10	945.86
48	Miscellaneous (26)	2032.74	−0.9	8.05	2.93	14.09	24.45	2051.29	2034.57	2025.71	1186.66
49	INDUSTRIAL GROUP (486)	1197.82	−1.0	9.48	3.80	13.00	19.50	1209.79	1214.31	1214.11	973.19
51	Oil & Gas (14)	2168.83	−0.9	9.78	5.16	13.60	64.24	2187.92	2192.91	2176.34	1832.97
59	500 SHARE INDEX (500)	1280.16	−1.0	9.52	3.98	13.08	23.15	1292.76	1297.34	1295.86	1046.02
61	FINANCIAL GROUP (125)	770.38	−1.1	–	5.18	–	18.13	779.17	780.91	785.77	707.58
62	Banks (9)	750.34	−1.6	23.03	6.43	5.71	21.71	762.18	761.70	769.98	686.01
65	Insurance (Life) (8)	1165.31	−1.0	–	5.12	–	29.86	1177.51	1186.19	1191.67	1053.16
66	Insurance (Composite) (7)	610.27	−1.1	–	5.90	–	16.75	617.26	624.21	629.98	551.61
67	Insurance (Brokers) (7)	971.25	−0.4	7.77	6.39	17.31	31.63	975.33	964.87	972.75	998.60
68	Merchant Banks (11)	366.49	−1.7	–	4.24	–	7.30	372.04	363.89	359.28	358.23
69	Property (52)	1362.34	−0.7	6.19	2.86	20.56	16.89	1371.41	1379.95	1387.37	1209.68
70	Other Financial (31)	378.77	−0.8	11.22	5.77	11.37	9.63	381.71	380.30	378.18	379.31
71	Investment Trusts (69)	1202.28	−0.3	–	2.74	–	15.02	1206.06	1206.73	1206.98	912.35
81	Mining Finance (2)	671.83	−0.2	8.27	3.83	13.46	10.45	673.35	674.16	676.94	531.44
91	Overseas Traders (8)	1408.49	−0.5	10.52	5.27	10.80	35.07	1416.12	1417.63	1429.38	1149.51
99	ALL-SHARE INDEX (704)	1155.26	−1.0	–	4.12	–	21.60	1166.44	1170.15	1170.28	957.99

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 21	Jul 20	Jul 19	Jul 18	Jul 17	Year ago
FT-SE 100 SHARE INDEX‡	2259.1	−23.9	2279.1	2258.3	2283.0	2292.3	2292.5	2273.1	2274.9	1838.5

FIXED INTEREST

	PRICE INDICES	Mon Jul 24	Day's change %	Fri Jul 21	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	118.02	+0.04	117.98	–	7.00
2	5-15 years	133.17	+0.11	133.02	–	7.80
3	Over 15 years	145.67	−0.08	145.78	–	7.09
4	Irredeemables	166.53	−0.08	166.65	–	7.32
5	All stocks	131.09	+0.06	131.00	–	7.56
	Index-Linked					
6	5 years	139.43	......	139.42	–	1.36
7	Over 5 years	137.13	−0.01	137.15	–	2.33
8	All stocks	137.18	−0.01	137.20	–	2.24
9	Debentures & Loans	113.37	+0.01	113.37	–	6.16
10	Preference	88.11	+0.06	88.06	–	3.50

	AVERAGE GROSS REDEMPTION YIELDS		Mon Jul 24	Fri Jul 21	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	9.77	9.77	9.50
2		15 years	9.27	9.28	9.42
3		25 years	9.14	9.14	9.21
4	Medium Coupons	5 years	10.57	10.59	9.95
5		15 years	9.69	9.69	9.66
6		25 years	9.32	9.30	9.45
7	High Coupons	5 years	10.68	10.70	10.06
8		15 years	9.91	9.92	9.82
9		25 years	9.51	9.51	9.47
10	Irredeemables†		9.22	9.21	9.64
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.23	3.22	2.84
12	Inflation rate 5%	Over 5 yrs.	3.57	3.57	3.85
13	Inflation rate 10%	5 yrs.	2.42	2.41	1.77
14	Inflation rate 10%	Over 5 yrs.	3.40	3.39	3.68
15	Debs & Loans	5 years	12.44	12.44	10.88
16		15 years	11.86	11.86	10.85
17		25 years	11.32	11.33	10.85
18	Preference†		10.28	10.29	9.66

‡Opening index 2279.0; 10 am 2268.8; 11 am 2266.0; Noon 2261.3; 1 pm 2261.6; 2 pm 2263.2; 3 pm 2264.2; 3.30 pm 2262.0; 4 pm 2259.5 (a) 9.01am (b) 4.43pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	8	69	29
Corporations, Dominion and Foreign Bonds	13	10	21
Industrials	281	539	780
Financial and Properties	101	213	351
Oils	22	33	38
Plantations	*0*	1	*10*
Mines	43	37	95
Others	85	62	102
Totals	553	964	1,426

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price p	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
130	F.P.	-	162	144	Abbey National 10p	145	-2	L7.7	2.7	7.1	5.9
§33	F.P.	-	42	35	♦Ambassador Sec. Grp. 5p	41		-	-	-	10.0
§100	F.P.	-	126	108	♦Boxmore Intl. 10p	116		u5.2	1.9	6.0	11.2
85	F.P.	-	96	84	♦Diamond Group Hldgs 5p	93		L1.13	4.7	1.6	17.7
†	F.P.	-	105	100	♦Ensor Hldgs. 10p	105		3.0	3.1	3.8	11.0
§62	F.P.	-	70	62	♦Forwell Group 10p	69		L1.8	3.0	3.4	12.8
$10.15	F.P.	-	700	623	Genesis Emerging Mkts 1c	700		-	-	-	-
§160	F.P.	-	183	178	Gowrings 10p	178		6.66	1.5	5.0	18.0
§135	F.P.	-	198	135	♦Le Creuset FF0.35	191	-2	R049.5	2.8	2.4	16.2
§55	F.P.	-	61	55	♦Molyneux Estates	57	-1	-	-	-	77.8
50	F.P.	-	51	49	Pacific Prop. Inv. Tst 10p	49		-	-	-	-
-	F.P.	-	20	17	Do. Warrants	19		-	-	-	-
†	F.P.	-	350	340	Presidio Oil "A" 10c	350		Q2.5c	-	0.5	-
§100	F.P.	-	110	100	Radiotrust	108		-	-	-	-
105	F.P.	-	70	61	Richmond Oil & Gas 10p	61		-	-	-	-
105	F.P.	-	120	111	♦South (James) Estates	118	-1	u3.0	0.9	3.4	34.9
-	F.P.	-	110	106	Templeton Emerg Mkts.	110		-	-	-	-
§125	F.P.	-	138	133	Trace Computers 5p	133		R1.3	6.0	1.3	13.4
§107	F.P.	-	130	110	♦Treatt 10p	121		b3.25	2.9	3.6	12.5
§95	F.P.	-	115	95	♦Umeco	110		L3.5	2.5	4.2	11.5
-	F.P.	10/7	118	63	WPP Warrants	113	-5	-	-	-	-
§70	F.P.	-	86	76	♦Wessum Co. 5p	81		L2.94	1.8	4.8	11.4
§109	F.P.	-	117	115	♦Westminster Scaffold.10p	117		R5.0	1.6	5.7	13.3

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings Jul 24
● Last Dealings Aug 4
● Last Declarations Oct 26
● For settlement Nov 6

For rate indications see end of London Share Service

Calls in Norfolk Cap, Hughes Food, Dalgety, Amstrad, Dowty, Tranwood, Mid & Scot, Croda, Alpine, Oliver Res, Enex, Amber Day, Asda, Smith & Neph, THF, Taylor Woodrow. Puts in Eurotunnel Wrrnts. P/C Eurotunnel Wrrnts, Lolo Inv, Benlox.

LONDON TRADED OPTIONS

BRITISH PETROLEUM, which took most of the attention of the London Traded Options Market last week, yesterday attracted most of the business interest in individual stocks, finding 3,133 contracts, made up of 3,132 calls and just the one put. The July expiry on individual stocks comes tomorrow, and BP has a heavy expiry across a number of series, including stocks in the so-called in-the-money category, which suggests that the options will be worth cashing unless there is change in the market in the meantime, and also the idea that, in recent days, a covering of position has been evident. The underlying share price in BP fell yesterday by 2p to 306p.

It was even so business in the FT-SE 100 Index that caught part of the eye, with dealings in the index option amounting to no less than 11,183, well over one-third of total dealings and made up of 2,218 calls and 8,965 puts. The index itself has been rising of late, to levels touching post Great Crash of 1987 highs. Yesterday it fell back appreciably, by 23.9 points to 2,259.1.

Two-way business was reported in the index option, even so, with some bullish tendency seen. The dealings in the index on the London International Financial Futures Exchange, for September delivery, showed a discount to fair value at the end of the day – fair value allowing for such things as interest and dividends – without swinging the underlying market strongly away from its trend, which has of late been upwards, even if somewhat of a dent has been put in the trend.

British Gas attracted 2,999 contracts – 1,974 calls and 1,025 puts – with the underlying price of the stock gaining 1p to 187p.

Storehouse, Asda and Trusthouse all thrust themselves to the forefront of the day's dealings. Storehouse attracted 2,277 contracts, of which 261 were were calls and 2,016 puts, with the underlying share price losing 6p to 144p. The October 140p puts in the option on it alone attracted 1,250 contracts. Asda, down 1p to 191p on the underlying market, and traded on the options market on a restricted life basis, stole a good deal of the Storehouse thunder, however, finding 1,586 calls and 207 puts.

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allid Lyons (*499)	460	41	62	75	1	9	14
	500	5½	34	48	5½	22	29
Brit. Airways (*204)	180	25	32	37	½	2	3½
	200	5	17	22	1½	7	9
	220	½	7	13	18	20	23
Brit Com (*174)	140	36	42	44	½	2	4
	160	16	26	30	1	5	8
	180	3	15	18	8	14	18
Beecham (*626)	550	77	90	105	1	3	8
	600	27	48	67	2	13	20
	650	2	21	39	27	40	43
Boots	260	16	30	37	1	7	9

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Storehouse (*144)	140	6	17	42	2	7	9½
	160	½	8	12	17½	18	20
Trafalgar (*363)	317	48	60	66	1	3	5
	347	18	36	41	1	8	14
	377	1	18	24	16	23	29
Utd. Biscuits (*404)	360	45	64	70	2	8	14
	390	15	40	52	3	16	26
	420	3	26	38	20	34	43
Unilever (*631)	550	83	103	118	1	1½	4
	600	33	60	78	1	9	15
	650	1½	30	48	23	30	43
Ultramar	280	54	64	76	½	2½	5

[illegible]

UK COMPANY NEWS

Reuters tops expectations with 32% rise to £135.9m

By Raymond Snoddy

IMPROVEMENTS IN costs and margins helped Reuters, the international information and news group, push up its pre-tax profits to £135.9m in the six months to June 30, a rise of 32 per cent on the £102.9m last time.

The performance was well ahead of analysts' expectations, and on a poor day in the market the shares gained 5p to 790p.

Mr Glen Renfrew, managing director and chief executive, said yesterday that, apart from improvements in operating profit and margins, the growth had come from strong progress from core products, despite continued problems in financial markets.

At the same time as announcing its interim results, Reuters said it was also reorganising its Trading Room Systems product group.

Development that had been split between London and Chicago will now be centred on Chicago, a rationalisation that would cause about 15 redundancies.

In addition, regional groups will be set up to support local markets.

Reuters revenue for the half-year rose by 16 per cent to £548.3m (£471.4m); earnings per share were up 36 per cent to 20.6p (15.1p); and the interim dividend is raised from 2.8p to 3.6p, up 29 per cent.

Mr Renfrew said the outlook for the rest of this year was good, barring unforeseen disasters or wide swings in exchange rates.

"Net new orders for existing products are substantial enough, in combination with our improved margins, to support continued good growth," Mr Renfrew said.

He conceded that margins for the full year would not be quite as good as for the first half, although there would still be a substantial improvement over last year.

"We expect to have an unprecedented array of major new products ready to earn revenue by the turn of the year," Mr Renfrew added.

The search for savings would continue and further redundancies could not be excluded, he said.

Reuters also said yesterday it had made representations to the Office of Fair Trading over plans by the Stock Exchange to regulate the release of company announcements. Topic, the Stock Exchange computerised information system, already had a strong commercial advantage because company announcements go to the Stock Exchange first.

Mr David Ure, head of Reuters Europe, Middle East and Africa, said the company wanted to see simultaneous release of company information to the media and the Stock Exchange as happens in the US.

Apart from continuing to cut costs and improve margins Reuters sees extra revenue from the upgrading of large numbers of existing foreign exchange dealer terminals to the new Dealing 2000 product.

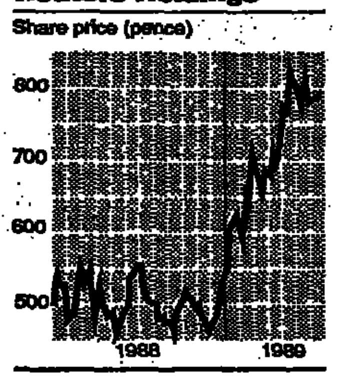
Testing of the automated transaction facility planned for Dealing 2000's second phase later this year has already begun.

"Automated trading will generate revenue for each transaction passing through Dealing 2000 in addition to the basic rental charge," Reuters pointed out.

See Lex

Reuters Holdings

Share price (pence)



Glen Renfrew: expected to have an unprecedented array of major new products ready to earn revenue by the turn of the year

Allied Textile advances to £5.16m

By Alice Rawsthorn

ALLIED TEXTILE Companies, the Huddersfield-based wool textile group, managed to increase its pre-tax profits by 11 per cent to £5.16m in the first half of the year despite the sluggish state of the textile industry.

Mr Russell Smith, chairman, said that "trade had held up very well", and the company was "not at all gloomy" about the outlook for the full financial year. Allied's shares were static at 382p yesterday.

Turnover rose to £52.66m (£49.99m) in the six months to March 31. Allied paid £1.81m (£1.63m) in taxation. Earnings per share rose to 13.15p (12.08p) and the board has declared an interim dividend of 4.1p (3.8p).

In the last year, the textile industry has been hit by an influx of imports and erratic demand. The most vulnerable companies have been those concentrated in the low-cost, commodity market sectors. Allied withdrew from these sectors in the early 1980s and now concentrates on the value-added products that have tended to be more resilient.

Mr Smith said that Allied's knitwear business had encountered difficulties, but that its specialised subsidiaries – such as protective clothing – had continued to fare well. On the whole, he said, Allied's order books were a little lower than at the same time last year. But the group had managed to maintain output without suffering an increase in stocks.

Allied has a sizeable cash pile, currently valued at about £25m. The level of income from cash and investments fell slightly in the 1987/88 financial year, but should rise above its level in 1986/87 this year thanks to the increase in interest rates.

The group has recently made two unsuccessful takeover approaches. Last autumn it began bid discussions with Illingworth Morris and made an offer for Hugh Mackay. The discussions with Illingworth were broken off and Allied withdrew its offer for Mackay.

Mr Smith said Allied was "always looking" for suitable acquisitions, but was not prepared to buy a business which would dilute earnings. Given the depressed state of the textile sector, he said, there should "soon be lots of bargains" around.

City disappointed with Bullough's 9% growth rate

By John Thornhill

THE RATE of growth at Bullough, the office furniture and engineering group, slowed in the first half of the year as pre-tax profits rose by 9 per cent, from £11.05m to £12m. The company also said profits for the year would only show a modest increase.

This outcome for the six months, to April 30, was below many expectations and the share price dropped 15p to 157p.

Turnover rose 36.5 per cent to £127.33m (£93.18m), but operating profits grew at a slower rate to £12.87m (£11.13m), an increase of 15.5 per cent. Substantially greater interest charges of £870,000 (£80,000) resulting from borrowings to fund the acquisition of Atal, the French office equipment, further reduced the growth rate.

Part of the decrease in operating margins was attributed to the inclusion of Atal's results. During the period, its margins were running at about 8 per cent compared with the 20 per cent achieved in the UK market.

Atal contributed £1.9m in operating profits on turnover of over £23m. Overall, the office products division produced trading profits of £8.47m (£6.53m) on turnover of £62.78m (£35.78m).

Mr Derrick Battle, chairman, said in the refrigerator division sales were depressed because of fears over listeria and CFC's. Sales to public houses had also been hit by doubts about the Monopolies and Mergers Commission report on the brewing industry which had led to a deferral of sales – a phenomenon described by the company as "brewer's droop." Operating profits from refrigeration and store fitting activities fell to £689,000 (£1.11m).

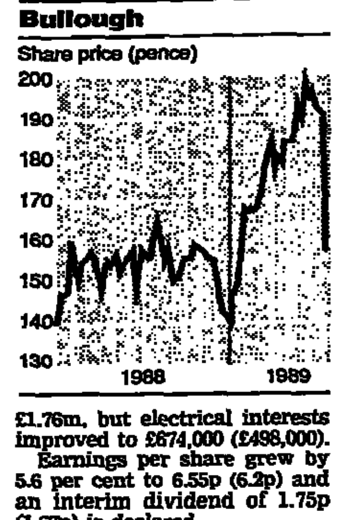
The engineering division, boosted by a strong performance from Metallifacture, a car jack manufacturer, advanced to £1.28m (£1.07m).

A mild winter hit operating profits in the heating division which fell from £1.92m to £1.76m, but electrical interests improved to £674,000 (£496,000).

Earnings per share grew by 5.6 per cent to 6.55p (6.2p) and an interim dividend of 1.75p (1.67p) is declared.

Bullough

Share price (pence)



● **COMMENT**

Over the last few years Bullough has built up a reputation as a promising and reliable performer, and that track record makes yesterday's performance look all the more disappointing. Various acts of God and Government were blamed for the slacker times which resulted in the distinctly patchy trading performance. Yet, in view of Bullough's past record, the City seems generally inclined to give it the benefit of the doubt and put the problems down as transitional in nature. The refrigeration business will almost certainly pick up as orders return after the recent uncertainties, but there are more doubts about the office products division which recorded a near-static performance once Atal's contribution was stripped out. This year may not see anything too spectacular, but next year should see reasonable recovery unless the economy takes a dive. Pre-tax profits might be up to £29m which would put Bullough on a multiple of about 10. That would be cheap if recovery results but it is worth waiting until the year end to see evidence of this.

Gateway board replaced by four from Isosceles team

By Nikki Tait

BOWING TO the inevitable, the board of Gateway, Britain's third largest food retail group and recently subject to a successful $2bn-plus bid from the newly-formed Isosceles company, resigned at noon yesterday.

They have been replaced by four members of the Isosceles team – Mr Ernest Sharp, Mr David Smith, Ms Elizabeth Hignell and Mr John Bristow.

The Gateway board added that it had requested Isosceles to arrange for the appointment of "at least two independent non-executive directors in order to ensure that the interests of the outstanding minority shareholders of Gateway are represented at board level."

Isosceles had given an assurance that this would be considered "in due course".

The Gateway board said it thought this to be particularly important "in the context of the proposed sale of certain superstores to Asda", another food retail group. Isosceles plans to sell 62 stores to Asda for over £700m.

However, this final parting shot seemed to cause some puzzlement among Isosceles' advisers, who added that the search for appropriate non-executive directors was not something which could be accomplished quickly.

They said that all the former Gateway directors who resigned would now be leaving the group, including Mr Louis Sherwood who was brought in last year to head the core Gateway Foodmarkets business. However, the advisers declined to estimate compensation payments as some performance-related "phantom option" contracts had not been available previously.

The principal minority shareholder is Newgateway, the rival bidder to Isosceles representing Great Atlantic and Pacific Tea Company and Wasserstein Perella. It confirmed yesterday that it now holds 39.8 per cent of Gateway, having bought out the shares held separately by its advisers – Samuel Montagu, NM Rothschild, and Wasserstein Perella Group – at the end of last week.

Yesterday, there seemed some anxiety among small shareholders that Newgateway was prepared to buy out the last large block of shares from M&G, the unit trust group, at 242p a share on Friday, but that they were only able to get much lower prices in the market.

Rothschild, advising A&P, said it felt it was inappropriate to comment on this, and that there had been clear to shareholders from the Gateway board. Gateway shares closed at 232p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends.

TODAY

Interims- Nestor-BNA, STC, St Modwen Props, Shell Oil.

Finals- Amalgamated Financial Invs, Clark (Matthew), Ewart, Hughes Food, Independent Investment, Manvier Swain, Mosaic Invs, Murray Smaller Markets, Radius, Tinsley Robor, Wood (John D).

FUTURE DATES

Interims-	
BSG International	Sep. 26
Capital & Counties	Aug. 8
Freeman	Aug. 4
Glynwed	Aug. 2
Koda International	July 26
Pacer Systems	Aug. 8
Transport Development	Aug. 14
Finals-	
Mountleigh	July 26
Shield	July 28
Stewart Zigomala	Aug. 11
TR Trustees	July 31

Tex advances 52% and makes purchases

A 52 per cent increase in profit and 43 per cent lift in dividend are announced by Tex Holdings, along with two further acquisitions at a maximum cost of £3.2m.

One of the companies will form the basis of a new building division. At the same time Tex is selling its abrasives interests.

In the year ended March 31 1989 this plastics, engineering and abrasives group saw its turnover grow 61 per cent to £15.37m (£9.56m) and pre-tax profit rise from £1m to £1.52m. Earnings were 20.6p (14.6p) and the proposed final dividend is 7.5p for a total of 10p (7p).

Mr Richard Burrows, chairman, said all divisions enjoyed increased demand. The capability to meet that growth was aided by four acquisitions which strengthened its market position.

Turnover and trading in the opening two months of the current year had shown substantial growth, he added.

The acquisitions are Woolaway Bungalows, a builder of bespoke bungalows and small, speculative developments, and BSP International Foundations, which makes pile driving hammers and extractors. The vendor is Edward le Bas, in which Mr Burrows and Mr Bill Charity, managing director, have interests.

Initial consideration will be £2.5m in 1,315,789 ordinary shares; further payment to a maximum £700,000 can be made depending on profits.

Stocks, fixed assets and goodwill of Tex Abrasives is being sold to Indas, its Portuguese supplier of abrasives, for £1.24m. When outstanding debts have been collected the company is expected to benefit by a further £200,000.

The deals are subject to shareholders approval.

Berkeley Govett climbs 8% to $19.23m halfway

By Nikki Tait

BERKELEY GOVETT, the Jersey-based fund management group which takes in John Govett, yesterday announced pre-tax profits of $19.23m (£11.86m) in the six months to June 30.

This is a rise of 8 per cent on last time's $17.79m. Earnings per share increased from 18 cents to 20.7 cents and the interim dividend has been raised by 1 cent to 6 cents gross per share.

Berkeley Govett said that all parts of the business produced satisfactory results, but the company conceded that the driving force in the first half was the leveraged buy-out and development capital investment activities in the US.

It said that the UK-based John Govett fund management business was showing growth again, having suffered in the wake of the 1987 stockmarket crash.

Mr Arthur Truegar, chairman, added that he expected further progress in the second half, helped by plans for new fund launches.

Fee income in the first half was $20.88m against $18.6m in the previous year.

Investment income comprised $4.26m ($3.58m) from bank deposits and liquid assets; $2.56m ($1.03m) from development capital and mezzanine investments; and $38,000 ($304,000) from other sources.

Expenses rose sharply from $8.86m to $11.13m. However, Mr Truegar said that this figure included the costs – undisclosed – of starting an American insurance operation, London & Pacific Life and Annuity.

He said he expected this business to make a small positive contribution in the current half.

The tax charge fell to $3.06m ($3.83m).

NSM denial of any deal on Coalite purchases

By Ray Bashford

NSM, the restructured private coal mining group formerly known as Burnet & Hallamshire, yesterday denied that there were plans to acquire parts of Coalite, following the successful takeover of the fuel distribution company.

Mr Don Carr, NSM's chief executive, also told shareholders at the annual general meeting yesterday, that he had not reached agreement to buy Coalite subsidiaries while Anglo United fought the six week takeover battle for its competitor in the fuel distribution business.

Anglo United has a 26 per cent stake in NSM. There was wide spread speculation during the takeover that Anglo United would sell Coalite businesses to NSM as part of the well publicised plan of asset disposals aimed at funding the highly leveraged bid.

Coalite's quarries and waste disposal businesses are among the first that will be sold following Anglo United's success last Friday in winning acceptances for the £478m bid to lift its holding to slightly over 50 per cent of Coalite's capital.

Mr Carr said he understood why people concluded that his company would be interested in some of the businesses.

"I don't think that these businesses necessarily add anything to our company and the prices that they are likely to go for would not make sense to us," Mr Carr said.

NSM also announced purchase of Tetbury Steel, a structural steelwork fabricator, for up to £3.6m in cash. Tetbury made a pre-tax profit of £500,000 in the six months to June 30, this year and had net assets of £1.5m at the same date.

Temple Bar net assets rise 15%

Temple Bar Investment Trust reported net assets per share at June 30 1989 increased 15 per cent to 298.93p compared with 259.84p, net of prior charges at market value.

Attributable profits for the six-month period rose from £2.1m to £3.05m after a tax charge of £1.09m (£755,000).

The recommended interim dividend of 3.7p (3.2p) would lead to a £2.12m payout, making earnings per share 5.425p (4.079p) adjusted.

The company said the result was in line with market performance and that the trust's high liquidity had been particularly beneficial.

Despite pressure on the UK economy, the trust said that its asset base is unlikely to come under pressure.

Seventy five per cent of the Trust's investments are in the UK.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Aberdeen Stk Hse ....fin	0.75	-	1.5	1.5	1.5
Allied Textile ....int	4.1	Oct 2	3.8	-	10.6
Berkeley Govett ....int	6‡	-	5	-	13
Bullough ....int	1.75	Sept 6	1.67*	-	5.67*
Daily Telegraph ....int	4	Sept 13	nil	-	nil
Dalepak Foods ....fin	2.1	-	1.8	3	2.7
DSC Holdings ....fin	nil	-	0.75	-	0.75
European Assets ....int	0.04☆	-	0.04	-	0.12
First Spanish ....fin	0.6	-	0.35	0.6	0.35
Reuters Hldgs ....int	3.6	-	2.8	-	9
Tex Holdings ....fin	7.5	-	5.25	10	7

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ФThird market. ☆Dutch guilders throughout. ‡US cents – gross.

UK COMPANY NEWS

Rank buys twelve clubs for £18.5m

By Clare Pearson

RANK ORGANISATION, the leisure and entertainment group, has won the contest to buy the Stretton social and bingo clubs of Greenall Whitley, the regional brewer.

Rank is paying £18.5m to buy the 12 clubs, one of which is closed and another leased. In addition, it gets a site in Leeds that has recently been granted a bingo licence.

The clubs made profits before depreciation and central costs of £1.3m, on turnover of £4.5m, in the year to end-September 1988. Rank said profits in the first year after acquisition would cover financing costs and improved returns were expected after the Leeds club became operational next spring.

Greenall Whitley announced in April it was putting Stretton up for sale in order to concentrate more resources on its drinks and De Vere hotels operations. The price being paid by Rank is roughly in line with earlier expectations.

The two companies also said yesterday they were forging new trading links. Greenall's Vladivar vodka is to be the house brand throughout Rank's leisure outlets, and it has also concluded a supply and maintenance agreement on 1,500 of Greenall's fruit machines.

Earlier this month Rank disappointed City expectations when it announced that during the half-year to May 28 pre-tax profits rose by 5.9 per cent to £111m. The advance was held back by static results from Rank Xerox, its photocopier associate.

DSC £59,000 loss

A return to profits in the second half at DSC Holdings failed to eradicate first-half losses of £102,582 and left this manufacturer of record playing styli and accessories with a pre-tax deficit of £58,868 for the year to March 31 1989, against a £140,351 profit previously. Turnover reached £4.58m (£3.31m).

J Rothschild board queried over pay

By Nikki Tait

SHAREHOLDERS of J Rothschild Holdings, the investment company which is one of the backers of the £13bn Hoylake bid for BAT Industries, yesterday raised questions over the directors' level of remuneration last year and a proposed performance-linked bonus scheme.

However, those attending yesterday's extraordinary general meeting gleaned little additional information about their company's involvement in the Hoylake offer. The meeting was called to approve the distribution of convertible loan stock in RIT Capital Partners, the investment trust which was spun out of JRH.

When asked about the extent of JRH's commitment in Hoylake, assuming the offer in its present form was successful, Mr Jacob Rothschild, chairman, said that he could not elaborate ahead of the publication of Hoylake's formal offer document. He added, however, that the involvement would be below the level at which shareholders' approval would be required.

Another shareholder noted the absence from the meeting of Sir Mark Weinburg, a non-executive director of both JRH and BAT, and asked whether he had plans to leave the board. Mr Rothschild replied that Sir Mark had decided that, as a BAT director, he had felt it inappropriate to attend and would behave similarly with regard to the tobacco, retailing, paper and insurance group. He added: "He is alive, he is well and is an active member of our council."

Questions on remuneration came from a couple of private shareholders. One pointed to the "considerable" increase in directors' remuneration last year when total directors' emoluments increased from £1.51m to £2.53m, the highest paid director getting £802,000, against £452,000, and Mr Rothschild (as chairman), £579,000, against £328,000. He wanted to know how much of this was accounted for by special bonus payments, designed to reflect the year's healthy results.

Lord Weir, chairman of the remuneration committee, replied that about one-fifth of the present payment was basic salary. Under the new scheme, directors would receive a basic salary equal to only one-quarter of last year's remuneration, determined by the basic (not the basic plus bonus) payments.

A bonus pool would make up the remainder. The pool would be related to the rise in JRH's net assets, 25 per cent of pre-tax profits from in-house unit trusts and J Rothschild Capital Management, and a quarter of the investment management and advisory fees paid to J Rothschild Investment Management.

In answer to another question, Lord Weir conceded that if the scheme had been in operation last year, remuneration would have been "considerably" greater. However, he pointed out that in bear market conditions, JRH managers could significantly outperform but see no personal benefit.

The gathering was to have encompassed JRH's annual meeting, but a failure by Westerham Press, the company's printers, to send the required circular to all shareholders meant that this could not proceed. It will be held next Monday, July 31. Mr Rothschild said the company hoped the printers would bear the additional cost.

Kromagraphic up sharply and plans 0.36p dividend

KROMAGRAPHIC, the provider of design services which was introduced to the Third Market last November, trebled its pre-tax profits from £85,839 to £259,216 in the year to March 31 1989.

Earnings worked out at 1.14p (0.38p) per share and the directors said they intended to pay a dividend of 0.36p as soon as possible after the company has received sanction by the court for the reduction of capital and permission to distribute profits.

Turnover advanced 71 per cent to £2.21m (£1.29m), with gross profit up at £1.35m (£734,955). Other operating expenses climbed to £1.09m (£634,207). There was no exceptional charge this time (£14,909), but there was an extraordinary gain of £48,450 (nil).

The company said that, in spite of a difficult general economic climate, the current year had started well.

Higher interest holds Dalepak gain to 25%

SUBSTANTIAL GROWTH was shown by Dalepak Foods, manufacturer of frozen foods, in the year ended April 30 1989, and the directors expressed confidence in the future.

Turnover rose 30 per cent to £24.54m (£18.84m) and trading profit kept pace with that, rising to £1.64m. But higher interest charges of £235,000 (£142,000) left the pre-tax profit ahead 25 per cent, from £1.13m to £1.41m.

The directors said the group was on course to maintain the pace of growth in turnover and to extend its product range in the current year, and that should provide a sound basis for continued growth in earnings.

Earnings in the past year came to 8.33p (6.6p), and the dividend is raised to 3p (2.7p) with a final of 2.1p.

First Spanish Investment net assets rise by 26%

FIRST SPANISH Investment Trust increased earnings per share from 0.35p to 0.61p in the year to May 31 following a rise in profits before tax from £236,814 to £453,168. Net assets per share rose 26 per cent from 77.3p to 97.7p.

And the proposed final dividend is raised to 0.6p (0.35p).

The directors said that the Spanish market would remain attractive provided there was no further escalation of interest rates. Corporate profits are also expected to grow, they added.

The portfolio is fully invested, with emphasis on the construction sector. Consideration is being given to increasing holdings in the banking sector, which is undervalued compared with the market, they claim.

First Spanish Investment Trust was promoted by Lloyds Bank Fund Management in July 1987, and the investment adviser in Spain is Banif.

European Assets

European Assets Trust net asset value at June 30 was Fl 8.05 (216p) against Fl 6.53 a year earlier. Net income for the six months to the end of June was Fl 2.95m (Fl 2.13m) for earnings per share of Fl 0.11 (Fl 0.08). An unchanged interim dividend of Fl 0.04 has been declared.

Cookson links with Japanese in £25m copper foil venture

By Clare Pearson

COOKSON GROUP, specialist metals and chemicals company, is joining forces with Fukuda Metal Foil and Powder Company of Japan in a £25m joint venture to build a new factory in Tyne & Wear to make copper foil used in circuit board manufacture.

The deal will allow the two companies to pool their technological skills and marks the first move into European manufacture of electrolytic copper foil by Fukuda, the third largest producer of the product in the world.

Nissho Iwai Corporation, Fukuda's distributor, is also taking a 10 per cent stake in the venture, called Cookson Fukuda. Fukuda's share amounts to 40 per cent.

The project will increase the size of Cookson's copper foil business by about five times when the factory becomes fully operational in 1991, Mr Michael Henderson, chief executive, said. He added he hoped eventually to set up a joint venture in the US as well.

Last autumn, the copper foil marketplace gave rise to a much bigger Japanese-Western collaboration when Nippon Mining of Japan paid $1.1bn to acquire Gould, the US electronics group which is the dominant world player in the product. The next biggest is Square D, a Chicago company.

Mr Henderson said the deal with Fukuda had been about 18 months in the making and arose out of earlier discussions between Fukuda and two companies Cookson had acquired in recent years: Electrofoils Technology, a small UK foil manufacturer, and Polyclad, a US manufacturer of multi-layer circuit boards.

With the help of a £1m grant from the Government, the plan is to build the plant on a 6.4 acre site at North Shields into which Cookson's existing operations will be merged. With capacity to produce 2,400 metric tons of foil a year, it is expected to create around 45 additional jobs.

Colorgraphic goes Dutch

COLORGRAPHIC, the USM-quoted direct response print specialist, has acquired Dutch company Eikelenboom Beheer for up to Fl6.5m (£1.86m).

The purchase of Eikelenboom, which is based just outside Amsterdam and was founded 70 years ago, will be through an initial payment of Fl1m, satisfied by the issue of 121,929 Colorgraphic shares. An additional amount of up to Fl5.5m may be payable, depending on Eikelenboom's profit levels during 1989 and 1990.

In 1988 Eikelenboom reported sales of Fl27m on which it incurred a loss before tax of Fl2.79m. Most of the loss was incurred by a subsidiary which has since been closed. For 1988 the company's net liabilities stood at Fl0.051m. Profits for 1989 are being warranted at Fl0.6m.

Mr Nick Winks, chief executive of Colorgraphic, said " Eikelenboom will provide us with the ideal opportunity to enter the direct response market on the continent, through its accessibility to the German and French markets".

Colographic reported 1988 pre-tax profits almost 47 per cent higher at £2.98m compared with £2.03m a year earlier.

UK COMPANY NEWS

Fisons pays £24.3m for French purchase

By John Ridding

FISONS, the chemicals and pharmaceuticals group, is expanding its presence in the French market through the acquisition of Gerbiol for £24.3m in cash.

Gerbiol holds the rights to a range of products in the antibiotic, cardiovascular and dietary supplement markets and has a salesforce of 75 people. In 1988 it reported sales of £12.3m and pre-tax profits of £1.6m.

According to Mr David Peters, a director of Fisons, the new company will represent a "significant addition" to its French sales and complement its existing businesses there.

Fisons' current operations in France involve the sale of a range of anti-allergy and respiratory products through a salesforce of about 100. Earlier this year it launched Tilade, a new anti-asthma drug, which has enjoyed rapid sales growth.

According to Mr John Kerridge, chairman, "this initial success gives confidence that the combined salesforces will accelerate Tilade's sales growth and achieve high market penetration for this and other products in our research and development pipeline."

Gerbiol has offices in Paris and sub-contracts production. In the initial period, the combined salesforce will continue to operate with the two separate identities but under a common management based in Lyon.

Mr Peters estimated that, following the acquisition, Fisons will be able to reach about 90 per cent of French general practice doctors.

Chloride critic fails to win seat on board

By John Ridding

DR MAURICE Gillibrand, a former research director at Chloride and a critic of the company's recent poor performance, yesterday failed in his attempt to win a place on the board of the troubled battery group.

A show of hands at the company's annual meeting approved Dr Gillibrand's appointment as a non-executive director, but the proposal was defeated by a poll called by Mr Ray Horrocks, chairman of Chloride.

However, Dr Gillibrand captured 6m of the 74.3m votes, an improvement over the 5 per cent he received in a similar poll in 1985.

Despite Dr Gillibrand's failure, small shareholders used yesterday's meeting to voice criticism of the board's recent performance.

Much of the dissatisfaction centred on the purchase in August last year of a 51 per cent stake in Altus, the US lithium battery group. The acquired company cost £7m but reported losses of £1.8m for the year to the end of March.

One shareholder said that "the board made asses of themselves over Altus" and that he "deplored the lack of foresight."

According to Dr Gillibrand, yesterday's meeting was the first time that the board had admitted that Altus was loss-making at the time of purchase. He complained that institutional shareholders had voted in ignorance of this important fact.

Mr Horrocks said the company had been bought because of its "future potential" and that it was now operating at "break even."

He said that while this was encouraging, it was still "clearly not good enough" and that Chloride was looking at ways of restructuring its activities.

A second focus of criticism of the group has been the payment of £240,000 to buy out the contract of Mr Kent Price, the former chief executive who resigned in April.

Mr Horrocks said yesterday that Mr Price's contract entitled him to 24 months notice and that his annual basic salary was £140,000. The sum was agreed by the board on "external legal advice."

Daily Telegraph returns to dividend list

By Raymond Snoddy

THE DAILY Telegraph group continued to improve its financial position in the first half with a 35 per cent increase in pre-tax profits from £15.5m to £20.9m. It will also pay its first dividend since September 1985.

Mr Conrad Black, chairman, said yesterday in a statement: "The Daily Telegraph has continued to improve its performance, using its market leadership and control of costs to increase profit despite a less buoyant market for advertising in the second quarter."

The profit for the six months to June 30 was achieved on turnover 15 per cent ahead at £119.8m (£104.1m).

Earnings per share rose from 12p to 15.7p and the directors have declared an interim dividend of 4p per ordinary share.

The company said it expected a more difficult advertising market in the second half due to the slowdown in the economy. "However the company is now well placed to absorb such pressures and to maintain a steady improvement in pre-tax profit despite them," Mr Black said.

The company that came close to collapse in 1985 and had pre-tax profits of only £580,000 in 1987 can now look at the prospect of £35m-£40m pre-tax for the full year.

The Daily Telegraph is now getting close to the target of routine profits of 15 to 20 per cent set some time ago by Mr Andrew Knight, chief executive.

Further savings are expected to flow from the West Ferry Printers joint venture with Express Newspapers which has recently become operational as Express Newspapers use more of the plant's capacity.

Mr Black said yesterday that sales of the Daily Telegraph had held up better than most other quality dailies and the Sunday Telegraph had now started to compare well with its competitors.

Merger will increase capacity says Lilley

By Philip Coggan

LILLEY, which is making a £126m bid for fellow construction group Tilbury, argues in its offer document that the merged group will have the capacity to handle the major infrastructure projects of the 1990s.

Mr Bob Rankin, Lilley's chief executive, says the two companies fit geographically and in management and specialisation terms. He argues that the merger will create a group with a strong enough balance sheet to compete for major construction projects.

Lilley's strategy is to create a group with three legs – in construction, real estate (which includes residential development) and specialist areas such as foundation engineering, tunnelling and shopfitting.

The document makes little criticism of the Tilbury management, which has increased profits from £3.32m in 1985 to £14.6m last year.

Tilbury has rejected the bid, arguing that it does not need Lilley as much as Lilley needs it.

Last week, John Govett, the fund management group, pledged a 14.1 per cent stake to the Lilley offer. Together with the 9.8 per cent owned by Lilley and its adviser Salomon Brothers, that gives Lilley effective interest in 23.9 per cent of Tilbury.

The Govett move prompted Tilbury to ask the Takeover Panel to investigate whether Lilley and Govett are acting in concert; Mr Rankin has said there is "no truth at all" in the allegation.

Sharp & Law profits warning

By Edward Sussman

SHARP & LAW, the USM-quoted shopfitting group, warned that its profits for 1989 would continue to be damaged by its Bradford division and by high interest rates.

Shares lost 5p to close at 70p yesterday.

At the same time, the group said it was selling its loss-making Multiflex Store Contracts division to its management. Consideration of £500,000 is to be paid and about £1m of borrowings assumed by the new owners.

Multiflex's turnover of £10m accounted for 15 per cent of Sharp's 1988 sales.

The announcements follow Sharp's downward revision in May of its stated 1988 pre-tax profits by £288,000 to £776,000. Two months earlier, Sharp was forced to restate its 1987 pre-tax profits as £410,000, instead of the £1.21m reported.

While the company did not specify how bad the damage was, analysts expected Sharp would report a loss at its interim statement in October. How severe that loss would be depended on whether certain items were accounted for as exceptional or extraordinary. In March, the company released its auditors Long & Co and hired Arthur Young.

Mr Brian Considine, chairman, said that while considerable reorganisation of the management and financial systems at Bradford were underway, in the first half of 1989 the problems continued. At the end of June, Bradford's management was completely restructured. But across the group, third quarter orders were improved and inquiry levels were high. The first half is traditionally weaker.

Mr Considine said gearing levels could not be calculated at present, although he said the high rates came at a time "when borrowings have been at their peak". The company continues to review non-performing and peripheral activities for possible disposal.

While Sharp said Multiflex had a weak first half, the new owners forecast operations would be profitable for the full year. In 1988, Multiflex recorded pre-tax losses of £9,000.

Aberdeen Steak up 29%

PRE-TAX profits of Aberdeen Steak Houses rose by 29 per cent from £917,000 to £1.18m in the year to end-December 1988.

Turnover of this USM-quoted restaurateur increased to £13.46m (£11.68m) and after tax of £528,000 (£401,000) earnings per 5p share worked through at 5.4p (4.3p). Last year's 1.5p total dividend is maintained with a 0.75p final.

The directors said the trading results for the year were, as anticipated, an improvement on 1987. Trading in the first half of 1989 had been difficult, they said, but early indications were that business was improving in the second half.

Roskel acquisition

Roskel has acquired the business and assets of Roofing Material Supplies which is a partnership trading from Halesowen, West Midlands, as stockist and distributor of roofing materials. Consideration is £840,000 in cash.

On an annualised basis, RMS turnover and adjusted profits for 1988 were £1.525m and £123,000 respectively.

Ladbroke spends $123m on US office park development

By John Ridding

LADBROKE GROUP, the hotel, betting and property company, yesterday announced that it is to pay $123m (£75.93m) to acquire its largest ever US property development project.

London & Leeds Development, the group's US property subsidiary, is to buy Bay Colony Corporate Centre from Bay Financial Corp. Bay Colony is a low-rise office park situated in Boston's hi-tech business area.

Of the total consideration, about $46.7m is represented by the assumption of an existing mortgage. The balance is to be paid in cash from the group's reserves.

The Bay Colony acquisition reflects London & Leeds' current strategy of buying out development projects after they have completed an initial stage of development. The deal is the company's fourth major development in the last 12 months and is the third in the Boston area.

Bay Colony, which is designed by Sasaki, already has two completed buildings totalling 548,000 sq ft. London & Leeds will develop a third phase of 280,000 sq ft and a final phase which will bring the total development to about 1m sq ft.

Tenants already operating in the development include Texas Instruments, Sun Life, and Northern Telecom.

London & Leeds, which is based in New York, was set up by Ladbroke in 1981. It is one of the group's five property subsidiaries which together account for about 14 per cent of profits.

COMPANY NEWS IN BRIEF

ADSCENE has acquired the family-controlled WB Frampton & Sons, publisher of four paid-for weekly newspapers and four free weekly papers, for £1.75m.

AIRSPRUNG: High interest rates, slowdown in house sales and doubt over flame retardent regulations have all had impact on demand, and could affect first half results, chairman told recent agm.

BLACK (A&C) has acquired the stock and publishing assets of the Stanford Maritime Yachting List, an imprint of George Philip, for £152,784.

BREWMAKER is selling a property in Southampton for £273,000 cash, said to be well in excess of book value.

FERRARI HOLDINGS is to acquire Message Data Switching Business and certain assets of Commercial Cable, part of the Western Union Corporation, for £1.35m cash.

GRAND METROPOLITAN has acquired the trade name, sales and distribution facilities of Henry Telfer, but the factory at Northampton is not included.

GUINNESS MAHON: the cash offer by the Bank of Yokohama has closed, with acceptances of 84.81 per cent of the capital.

MOLINARE VISIONS: WH Smith now owns, or has acceptances for, 97 per cent of the capital. The offer is closed and Smith intends to acquire the balance compulsorily.

POWELL DUFFRYN is buying the Standard Railway Wagon Company for a maximum of £2.5m cash, which is similar to the net asset value. Standard is said to have turnover of £10m and a good order position.

PROPERTY COMPANY of London: offer by Lodge Care accepted for 98.3 per cent of the capital.

TMD ADVERTISING has acquired Michael Jarvis and Partners for a maximum £4.5m including an initial consideration of £250,000 cash and further profit-related payments in cash or shares.

TRAVIS PERKINS has acquired the outstanding 10.5 per cent of DW Archer for about £1.1m to be satisfied by the issue of shares.

VINTEN GROUP: Applications in respect of open offer have been received for 6.9m new ordinary shares (74 per cent). The balance will be issued to those institutions with whom they were conditionally placed.

WPP GROUP has strengthened its US network with acquisition of certain assets and operations of Anderson Communications Companies. Overall maximum consideration is $6m in cash and WPP shares.

Copper shortage expected when demand picks up

By Barbara Durr in Lima and Kenneth Gooding in London

AN UNEXPECTED fall in the London Metal Exchange's copper stocks announced yesterday and another guerrilla attack in Peru underlined growing fears that there might be increasing difficulties ahead for copper users.

"The low level of stocks could cause problems when demand picks up in the autumn," said Mr Donald Spence, analyst with E D & F Man, the commodity broker. "It only needs a small improvement in demand to create serious shortages."

Copper supplies are being hit on several fronts.

Peru's largest mining complex, Contromin in the Andean city of La Oroya, was disrupted early on Saturday when 16 bombs were set off, hitting the main electrical power supply line to the smelter and other installations as well as causing damage to the railway which carries mineral shipments to the coast.

The smelter was restarted on Sunday, but production continued to be affected because power was not restored to at least five mining camps.

The attack, one of the worst on Peru's mining industry, was attributed to Sendero Luminoso, or Shining Path, the Maoist group that began its guerrilla war in 1980. The Sendero *has made a number of assaults* on the mining industry during the last four years, and from January to mid-July this year 38 previous attacks caused $27.3m of damage or loss.

LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes	
Aluminium	+5,600 to 146,225
Copper	-3,725 to 67,875
Lead	+525 to 32,575
Nickel	+672 to 3,270
Zinc	+3,625 to 31,325
Tin	-325 to 1,705

Sendero has chosen mining as a strategic target, the authorities say, because it provides more than 50 per cent of Peru's exports and accounts for some 10 per cent of the Gross Domestic Product. Peru produces about 6 per cent of the non-communist world's copper supplies.

Copper supplies are also being hit by a strike, now in its third week, at Highland Valley Copper in Vancouver, which was scheduled to produce 100,000 tonnes of the metal in concentrates this year, and there is still no sign of a return to work at Bougainville in Papua New Guinea.

Bougainville normally produces about 2.5 per cent (roughly 250,000 tonnes) of the non-communist world's copper, but has been closed for a month because of attacks by *disaffected local landowners.*

J B Were, the financial services group, said that a contact who had recently returned from the Bougainville mine came away with the impression that it might never reopen, although Were said this was "unlikely."

"The official outlook from Bougainville is that production would take at least three months to restore to former levels," Were pointed out.

Bougainville's problems are hitting Japanese copper smelters in particular and they might soon be forced to buy replacement copper concentrates on the open market.

The Japanese also recently failed to renegotiate a long-term contract with Cananea, the Mexican copper producer, which will instead send 100,000 tonnes a year to Magma Copper of the US.

The LME yesterday reported that its copper stocks had fallen by 3,725 tonnes to 67,875 tonnes, the lowest level for seven months and down nearly 50 per cent from the peak of 135,050 tonnes reached in mid-May.

Consequently, the LME price for Grade A copper for immediate delivery rose by £31 a tonne to close at £1,578 last night. Three-month metal advanced by a similar sum to £1,565.50 a tonne.

Tempers run high over soya 'emergency'

By Deborah Hargreaves in Chicago

TEMPERS continue to flare in the row over soyabean futures at the Chicago Board of Trade even though the immediate emergency is over.

The farmbelt is reverberating with recriminations about the CBoT's emergency liquidation order in soyabean futures, which the exchange says it took to avert an attempt to corner the market.

The exchange's order required buyers or sellers of soyabean futures to reduce their holdings to the equivalent of 1m bushels of beans by last Thursday.

The exchange's action has been fiercely criticised by an unlikely alliance of farmers and traders who are united in their anger at the price collapse that followed liquidation.

Members of the American Soybeans Association, meeting this week in Des Moines, Iowa, say they feel betrayed by the CBoT, which has spent many years trying to win farmers' support for its agricultural futures contracts. Both farmers and traders alike have attacked the world's largest futures exchange for interfering with the free market.

Farming groups are calling for a full-scale investigation into the exchange action, partly to determine if a conflict of interest existed among any members of the exchange board of directors when the emergency was declared.

At the same time, Ferruzzi Finanziera, the Italian grain and chemicals concern which was the target of the CBoT order, has threatened to sue for damages. The firm says the exchange's order cost it $15m as it liquidated its contracts amid a rapidly falling futures price.

Ferruzzi denies it was making a bid to corner the market. Executives from the company's US subsidiary, Central Soya, say they are not surprised there is a scramble on for the last soyabeans in the US. Stocks of beans are at extremely low levels after last year's drought slashed yields across the farmbelt.

In defence of the exchange's action, Mr Karsten Mahlmann, CBoT chairman, has pointed out that traders in July beans were contracted to deliver some 35m bushels. Ferruzzi stood to receive around 23m bushels by holding its contracts to expiry. However, exchange warehouses contained only 13m bushels of the high protein beans.

The exchange took its action to preserve the integrity of the market for everyone, Mr Mahlmann stressed. Farmers have, however, long been critical of the CBoT's insistence that beans for delivery against its futures contracts be held in warehouses only in Chicago and Toledo, Ohio.

The Illinois Farm Bureau has called on the exchange to establish new delivery points for soyabeans.

As exchange officials and farmers conduct a post mortem examination of events leading up to the exchange's controversial order, it appears that the futures regulatory body, the Commodity Futures Trading Commission, also had a role in the liquidation.

The CBoT says it was concerned about the soyabean situation for some time. As the July shortage became clear, the exchange's business conduct committee issued instructions for major players to liquidate their contracts in an orderly fashion.

However, these guidelines were not followed and the exchange called a board meeting to discuss more stringent action. But before it could reach a decision, the CFTC also called on Ferruzzi to reduce its holdings. The exchange later issued its liquidation order.

Ferruzzi has tried to rally farmers' feelings against the exchange by calling for an industry-wide committee to study and make recommendations on the exchange's future. The company says the CBoT's action calls into question whether the exchange has kept pace with the market it oversees.

Beans mean lines on a Midwest TV screen

How a US farmer decides when to sell his crop by keeping abreast of national prices

FARMER'S VIEWPOINT

By David Richardson

IN THE CORNER of the kitchen of Clifford Morrow's farmhouse, a TV flickers. The screen is a mass of numbers *unintelligible* to the average viewer, but clearly of almost hypnotic interest to Mr Morrow. As he speaks, he steals fleeting glances at the screen to check for changes.

Mr Morrow farms 1,000 acres of maize and soyabeans in the US, on rented land on the flat aluvial plain immediately to the west of the Missouri, 50 miles north of Omaha, in Nebraska. His screen gives a continuous print-out of the prices, both spot and futures, for grain and soyabeans traded on the exchanges at Chicago and Kansas City.

How often, I inquired, did he actually decide to sell on the basis of information on the screen.

"Maybe only half-a-dozen times a year," he replied, "but I get close to it a lot more times than that." *When he did trade,* he told me, it was not with the major buyers in the big cities but with the local merchant in the town near by who had an identical screen in his office and would deal on terms dictated by the national price.

More and more US farmers, I was told, had rented similar screens at $20 per month to enable them to market their produce better. But few used the instant information to speculate on futures; they merely wished to sell their own produce – wheat, maize and soyabeans – at the best price available. But even a direct line to the commodity trading floor would not guarantee that in the volatile drought-affected conditions which have characterised the last two seasons.

This year, for instance, Clifford Morrow *expects to harvest* 40 or more bushels per acre from his unirrigated soyabeans. Last year, because of drought, he got only 25 bushels per acre. Many of his neighbours on lower quality land produced only half that amount and further afield many thousands of acres were so poor because of lack of moisture that they were not worth harvesting.

He expects his maize to yield up to 150 bushels per acre this year, partly as a result of more *rain through the spring and* summer but also because he has applied 10in per acre of irrigation water to most of it. Last year, even his favoured location yields of unirrigated maize were less than 70 bushels per acre while others in neighbouring states were written-off.

Such variation makes budgeting pretty difficult, but Mr Morrow knows only too well that it is necessary, particularly since the bank he used to borrow from went bust a few years ago during the depths of the US farm depression.

"We didn't used to bother with all them figures," he said. "So long as your net worth kept static or rising, the banker would keep on raising his advances. Until one day about six years ago he said: *'Clifford, we're changing the* rules. We want you to pay that money back.' But he'd left it too late. A lot of farmers around here had gone belly-up on his cash and he went bust *anyway.*"

The people who bought the bank changed the rules again and have since insisted that their farmer clients produce cash-flow projections which actually show a profit. Otherwise, they will not lend a cent. It was a local manifestation of the general tightening of financial policy which has affected the rural US banking system in recent years.

The agricultural economy has been restructured with total farm borrowing being reduced by one-third. In the process, around 15 per cent of farmers went out of business through either bankruptcy or forced sale and the value of land in the Plains area of the Midwest fell by 55 per cent.

Mark Drabenstott, of the Federal Reserve Bank of Kansas City, *whose sphere of influence* covers the Plains region, believes this means that agriculture will go into the 1990s fitter and healthier. Profitability, he claims, has returned to the farming areas worst hit by the recession, which reached its peak from 1984 to 1986, and the overall recovery continued even through the disastrous drought of 1988.

Meanwhile, total Farm Programme Aid has been cut from a high of $25.8bn in 1986 to $22.4bn in 1987 and $12.5bn in 1988. A further $4bn of special drought compensation was, however, paid out in 1988. The current estimate for Farm Programme payments in 1989 is put at $13.8bn.

Agriculture is no longer the balance-wheel for the US, says Mr Drabenstott. Only one in *eight rural families derive* their living from farming. The focus of US rural policy should, therefore, provide opportunities for people rather than simply pay them more for bushels produced, *or not produced as* was done during the mid-1980s.

There was a joke at the time that to double his income a farmer needed only to instal a second mail box at the end of his road. Farmers did not need to know how to grow crops – just how to farm the subsidy.

But while government aid was at its highest, so was the level of farm failures. Now that aid has been reduced, profit has returned. Ergo: excessive aid leads to losses; less aid leads to profits and, presumably, no aid at all leads to even bigger profits for the farm sector.

That, anyway, is how Mr Drabenstott appears to see the situation and he looks forward with enthusiasm to some future Gatt agreement to ensure that farm subsidies around the world are abolished and free trade, unencumbered by tariffs or protectionism, is universally accepted. It is a view that is predictably shared by the merchants on the Kansas Board of Trade. Clifford Morrow is not quite so sure.

While world prices remain well above the US Department of Agriculture's target levels as they are at present, he is, of course, happy to trade on the open market. He and his neighbours are acutely aware, however, that the recovery of their profitability last year had much more to do with the drought, which drastically cut production over large areas of the US, reduced stocks and forced up prices for those farmers with reasonable crops, than with any change in the Farm Aid policy.

Even those who had a disastrous harvest in 1988 were well compensated by special payments which were, they suspect, especially generous because it was an election year.

Present prices, too, are benefiting from the continuing tight stock situation exacerbated by the virtual failure of vast areas of winter wheat for the second year running because of drought. Profits for 1989, therefore, with or without the Farm Aid programme, look potentially healthy for farmers outside the drought-hit areas.

But what if, next year and the year after, the weather is better and farmers produce bumper crops all over the US and the rest of the world? What if stocks of grain begin to climb again and world prices fall back to where they were in 1986?

US farmers have heard that the EC has no intention of abandoning farm support and they point to other potential factors which could distort their market place; like some future grain export embargo, such as that imposed by President Carter when the Soviet Union invaded Afghanistan.

They are not convinced that the Gatt negotiations will succeed and that the world grain game will be played on the level playing field which they have heard spoken of on the other side of the Atlantic. They fear that they may well need government aid again in the future.

Meanwhile, Clifford Morrow nervously glances at his TV screen. He hopes world stocks of grain remain tight for the foreseeable future and he believes there are signs that they will, in spite of this year's better crops. But if the situation changes he knows that the *exchanges at Chicago and Kansas City will reflect it first.*

US warns against hormone ban

By Bridget Bloom, Agriculture Correspondent

A BAN by the European Community on the use of the new milk boosting hormone bovine somatotropin would have disturbing implications *for international trade and* would be strongly opposed by the US, Mr Clayton Yeutter, the US Agriculture Secretary has warned.

In a letter addressed to Mr Ray MacSharry, the EC's Agriculture Commissioner, Mr Yeutter said a ban by the EC, even if temporary, would be contrary to the spirit of the Uruguay round of Gatt negotiations which aims at agricultural trade liberalisation.

Such a ban would be interpreted by the US "as an addendum to the earlier hormone ban" which the EC imposed relating to beef production. It would also be seen as a "clear non-tariff barrier to international trade.

Mr Yeutter's letter to Mr MacSharry comes as the EC is poised to reach a decision on a *long awaited report on BST,* a new and potent growth hormone that can boost the milk yield of a cow by 15-30 per cent.

The principal issue is whether the EC will decide to *license BST within the next* few months, as the US is expected to do, or whether it will decide to extend the ban for a further 18 months or so while further scientific studies are undertaken.

In his letter, Mr Yeutter suggested that the grounds for continuing the ban were slim. "To the best of my knowledge there is no scientific evidence to suggest that BST poses any *kind of health threat.*"

A moratorium on its use would "prejudge all the scientific reviews" and would also "provide fuel for the fires of those who wish to have public *policy decisions made on the* basis of emotion and political pressure rather than through objective scientific analysis," Mr Yeutter said. He concluded: "We hope you will resist those pleas. We just cannot, and should not, stop technological progress in this world."

● In the wake of the EC Commission's decision to improve the terms for land set-aside from arable production, Mr John MacGregor, UK Minister of Agriculture, has announced that British farmers now have until the end of August to apply. Compensation payable, however, will be unchanged from last year's rates which averaged £80 an acre.

EC FARM ministers last night launched into serious negotiations on sheepmeat – the last major Community sector without a stabiliser regime – amid signs that the UK was backing away from its insistence on retaining its variable premium on lamb sales, writes David Buchan in Brussels.

Most members gave general support to a French compromise plan to merge the current seven regions (on which breeding ewe headage payments are calculated) into four and eventually apportion payments by type of lamb rather than geography. However, Greece, Italy and Spain complained they would lose out because the "lighter" lambs they produced meant their ewes would attract smaller payments.

The UK's main reservation concerned not the "gradual phasing out" of its special variable premium, but the proposal to limit ewe payments up to 500 ewes on lowland farms, and up to 500 ewes per worker on hill farms.

WORLD COMMODITIES PRICES

LONDON MARKETS

COFFEE prices on the London Futures and Options Exchange yesterday dipped below £800 a tonne for the first time in eight years. The September position, which had already fallen *heavily following the collpase earlier* this month of the Inetrnational Coffee Agreement's export quota regime, came under further pressure as dealers reacted to aggresssive selling by producers bidding to carve out bigger shares in the resulting free market. The September position dipped to £790 a tonne at one stage before ending the day £22 down at £798 a tonne. The cocoa market also finished lower as a lack-lustre London market responded to the New York market's early weakness. September futures closed at £864 a tonne, down £10 from Friday's level. Aluminium prices continued their recent rally despite another LME stocks rise.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.85-4.95z	-0.47
Brent Blend	$17.35-7.47w	-0.50
W.T.I. (1 pm est)	$18.84-8.89z	-0.71
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$186-187	-2½
Gas Oil	$149-150	-4
Heavy Fuel Oil	$86-88	-1
Naphtha	$156-158	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$371.50	-0.25
Silver (per troy oz)♣	522c	+4
Platinum (per troy oz)	$493.50	-0.15
Palladium (per troy oz)	$148.65	-0.85
Aluminium (free market)	$1745	+10
Copper (US Producer)	114⅝-116	-½
Lead (US Producer)	38.5c	
Nickel (free market)	580c	+5
Tin (Kuala Lumpur market)	25.11r	+0.05
Tin (New York)	440.00	+0.25
Zinc (US Prime Western)	80¾c	
Cattle (live weight)†	117.44p	-1.47*
Sheep (dead weight)†	167.66p	-20.7*
Pigs (live weight)†	84.56p	-4.25*
London daily sugar (raw)	$352.6t	-4.4
London daily sugar (white)	$484.0t	
Tate and Lyle export price	£332.5	-1.5
Barley (English feed)	£104.5w	
Maize (US No. 3 yellow)	£130	
Wheat (US Dark Northern)	£122.25t	
Rubber (spot)♥	58.50p	-0.50
Rubber (Aug)♥	60.25p	-0.75
Rubber (Sep)♥	61.00p	-0.75
Rubber (KL RSS No 1 Aug)	251.5m	-1.0
Coconut oil (Philippines)§	$527.5t	-2.5
Palm Oil (Malaysian)§	$315t	
Copra (Philippines)§	$335	
Soyabeans (US)	£187w	
Cotton "A" index	83.8c	-0.1
Wooltops (64s Super)	580p	-3

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Dec. w-Aug. z-Sep. u-Jun/Jul. x-Jul/Aug. t-Aug/Sep. v-Aug/Oct. †Meat Commission average latstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Jul	856	859	856 848
Sep	864	874	870 863
Dec	915	926	922 913
Mar	894	902	899 893
May	900	911	907 899
Jul	916	925	920 916
Sep	932	940	935 932

Turnover: 1551 (2578) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 21 1079.50 (1095.55) :10 day average for Jul 24 1062.30 (1057.97)

COFFEE £/tonne

	Close	Previous	High/Low
Jul	803	825	805 795
Sep	798	820	805 790
Nov	808	824	812 798
Jan	830	849	830 820
Mar	851	871	855 842
May	868	887	880 865
Jul	899	920	900 890

Turnover: 4483 (2600) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul 21: Comp. daily 74.72 (75.90). 15 day average 79.83 (81.26)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Aug	309.00	314.40	317.60 309.00
Oct	310.40	314.60	318.40 309.40
Dec	299.00	305.00	301.00
Mar	290.00	294.40	298.00 289.00
May	286.40	292.00	292.00
Aug	282.40	287.20	287.00
White	**Close**	**Previous**	**High/Low**
Oct	410.00	412.00	416.50 410.00
Dec	372.50	376.50	
Mar	359.50	364.50	368.00 360.00
May	357.00	362.50	364.50 361.50

Turnover: Raw 4100 (3308)lots of 50 tonnes. White 824 (1199).
Paris- White (FFr per tonne): Oct 2863, Dec 2420, Mar 2355, May 2345, Aug 2335, Oct 2290.

CRUDE OIL $/barrel

	Close	Previous	High/Low
Sep	17.00	17.41	17.31 16.97
Oct	16.87	17.20	17.05 16.85
Nov	16.72	17.20	16.74 16.72
IPE Index	17.53	17.39	

Turnover: 8620 (4065)

GAS OIL $/tonne

	Close	Previous	High/Low
Aug	147.25	151.00	151.50 147.25
Sep	147.50	151.50	151.50 147.25
Oct	149.50	153.00	153.25 149.25
Nov	151.25	154.50	153.50 150.75
Dec	151.50	155.00	154.50 151.50
Jan	151.00	155.00	154.50 151.00

Turnover 8632 (11618)lots of 100 tonnes

TEA

There were 11,260 packages on offer including 1,000 offshore, reports the Tea Brokers' Association. Demand was less general. The few brightest Africans and selected mediums sold well at firm rates but all other descriptions tended easier with prices often lower by 3p to 5p per kg. Ceylon bop's were a strong feature but bopf's attracted less support and eased by 3p to 8p apart from select best liquoring sorts. Teas in the offshore auction attracted rather more interest and sold at fully firm rates. Quotations: quality 195p nominal (n/c), medium 125p (130p), low medium 102p (107p)

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 9,625 tonne
Cash	1747-9	1743-5	1747/1746	1746-7		
3 months	1753-4	1745-7	1758/1735	1750-2	1755-7	30,179 lots
Copper, Grade A (£ per tonne)						Ring turnover 29,500 tonne
Cash	1577-9	1546-8		1565.5-7.5		
3 months	1565-6	1534-5	1578/1543	1552-3	1577-9	70,205 lots
Lead (£ per tonne)						Ring turnover 11,100 tonne
Cash	423-5	426-8	418/417	417-8		
3 months	411-2	414-5	414/407	406-7	412-13	9,880 lots
Nickel ($ per tonne)						Ring turnover 1,074 tonne
Cash	12150-200	1200-100	12175/12100	12100-200		
3 months	11300-400	11325-50	11400/11200	11300-350	11350-400	5,585 lots
Tin ($ per tonne)						Ring turnover 475 tonne
Cash	9585-75	9580-65		9580-1		
3 months	9555-60	9550-55	9570/9550	9550-5	9550-5	2,833 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 6,625 tonne
Cash	1675-80	1695-700	1675/1670	1670-5		
3 months	1595-7	1610-5	1605/1587	1595-7	1590-600	10,490 lots
Zinc ($ per tonne)						Ring turnover 4,775 tonne
Cash	1625-35	1640-45		1615-20		
3 months	1545-50	1560-65	1550/1540	1535-40	1540-5	8,021 lots

POTATOES £/tonne

	Close	Previous	High/Low
Nov	144.0	122.0	149.0 133.0
Feb	169.0	140.0	
Apr	226.5	199.5	233.0 225.4
May	247.0	218.0	253.0 248.0

Turnover 1010 (582) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Oct	142.50	143.00	142.50 142.00
Dec	139.00	140.00	

Turnover 79 (41)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Jul	1383	1368	1385 1380
Aug	1403	1380	1400 1387
Oct	1516	1506	1519 1510
Jan	1543	1539	1545 1542
Apr	1572	1568	1575
BFI	1379	1376	

Turnover 146 (184)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Sep	104.75	104.90	104.50
Nov	108.50	108.60	108.50 108.25
Jan	112.35	112.45	112.35
Mar	115.65	115.60	
May	119.00	119.00	119.00
Jun	121.00	121.00	121.00 120.75
Barley	**Close**	**Previous**	**High/Low**
Sep	103.65	103.50	103.65 103.25
Nov	107.40	107.30	107.40 107.00
Jan	110.90	110.75	
Mar	113.80	113.70	113.70 113.45
May	115.70	115.55	

Turnover: Wheat 54 (135), Barley 70 (169). Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	115.5	116.0	
Oct	119.5	120.0	118.8
Nov	120.8	120.5	

Turnover 2 (32) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	371¼-371¾	229¼-229¾
Opening	371¾-372¼	229½-230
Morning fix	372.00	229.630
Afternoon fix	371.95	229.358
Day's high	372¼-372¾	
Day's low	371-371½	

Coins	$ price	£ equivalent
Mapleleaf	382-387	236-239
Britannia	382-387	236-239
US Eagle	382-387	236-239
Angel	380½-385½	235¼-238¼
Krugerrand	371-374	229-231
New Sov.	87-88	53¾-54½
Old Sov.	87-88	53¾-54½
Noble Plat	499.40-507.35	307.90-312.80

Silver fix	p/fine oz	US cts equiv
Spot	321.10	520.60
3 months	332.20	532.25
6 months	343.35	543.90
12 months	364.25	565.45

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Nov	Sep	Nov
1650	124	128	14	35
1750	56	72	48	77
1850	21	36	109	138
Copper (Grade A)	**Calls**		**Puts**	
2400	170	158	30	95
2500	105	110	64	144
2600	59	73	116	205

LONDON FOX TRADED OPTIONS

Coffee	Sep	Nov	Sep	Nov
750	65	90	17	32
800	37	63	39	55
850	18	43	70	85
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
850	29		15	
900	8	63	44	49
950		41		77

US MARKETS

IN THE METALS, gold, silver and platinum prices swayed around unchanged levels in slow dealings, reports Drexel Burnham Lambert. Copper was the days most active market as prices gained 470 basis September. Lower LME and COMEX were noted. In the softs, local activity was seen in the sugar. The October contract was down 32 but volume was light. Commission house selling and stops weakened cocoa prices with trade support preventing further declines. Continued origin selling weighed on the coffee market. The grains were all lower as weekend rains prompted commercial and local activity. Sell-stops in the bean complex added further weakness. *Corn and* wheat futures also featured professional selling. The livestocks had lower prices in the pork bellies due mostly to the continued record amounts in storage. Hog futures firmed from technical support. Cattle prices were soft as Fridays report was considered slightly bearish. The energy complex fell sharply from a bearish news article.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	373.4	372.4	372.0	371.5
Aug	373.9	373.0	374.8	372.1
Sep	376.2	375.3	0	0
Oct	378.3	377.3	378.8	376.5
Dec	382.4	381.4	383.2	380.7
Feb	385.4	385.4	0	0
Apr	390.5	389.5	389.8	389.8
Jun	394.6	393.6	393.7	393.7
Aug	398.7	397.6	397.5	397.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	494.1	494.4	494.5	494.0
Oct	497.6	497.9	498.9	496.0
Jan	500.7	500.9	501.0	500.0
Apr	504.2	504.4	504.5	504.5
Jul	507.7	507.9	0	0
Oct	511.2	511.4	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	520.2	518.6	520.5	518.0
Aug	521.0	519.5	0	0
Sep	525.5	524.0	527.9	524.0
Dec	537.9	536.5	539.5	536.0
Jan	541.1	539.7	0	0
Mar	548.1	547.7	550.0	548.0
May	556.6	555.4	0	0
Jul	564.5	563.5	566.5	566.5
Sep	572.4	571.6	574.0	574.0
Dec	583.6	582.7	585.0	585.0

INDICES

REUTERS (Base: September 18 1931 = 100)

July 21	July 20	mnth ago	yr ago
1926.7	1934.8	2023.2	1952.0

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	131.48	132.17	132.59	137.09
Futures	129.48	129.56	131.38	141.93

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	114.25	108.90	114.40	111.30
Aug	113.90	108.40	0	0
Sep	112.60	107.90	112.80	109.90
Dec	108.50	104.40	108.50	105.70

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	18.84	19.51	19.29	18.75
Oct	18.58	19.19	19.00	18.50
Nov	18.44	18.98	18.86	18.37
Dec	18.35	18.83	18.71	18.28
Jan	18.20	18.71	18.60	18.20
Feb	18.24	18.63	18.47	18.22
Mar	18.23	18.57	18.35	18.23
Apr	18.25	18.55	18.40	18.25
May	18.34	18.53	18.35	18.30
Jun	18.26	18.51	18.26	18.26

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Aug	4980	5129	5080	4965
Oct	5115	5268	5190	5105
Dec	5260	5407	5330	5240
Jan	5270	5407	5330	5260
Feb	5200	5302	5260	5200
Mar	5000	5092	5050	5000

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1274	1299	1304	1265
Dec	1293	1318	1320	1288
Mar	1306	1334	1330	1300
May	1315	1345	1342	1316
Sep	1350	1371	1350	1350
Jul	1335	1357	1348	1340
Dec	1371	1392	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	85.10	86.34	86.00	84.80
Sep	84.83	86.34	86.00	84.75
Dec	87.23	88.98	88.60	87.15
Mar	90.37	92.55	92.30	90.25
May	92.40	94.50	94.00	92.50
Sep	96.00	96.50	98.00	97.00
Dec	99.00	101.50	101.00	98.75

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	13.94	14.26	14.32	13.91
Jan	12.65	12.90	0	0
Mar	12.99	13.31	13.29	12.96
May	12.80	13.05	13.08	12.80
Jul	12.64	12.92	12.90	12.77
Oct	12.33	12.68	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	73.16	73.57	73.40	73.15
Dec	74.00	74.40	74.30	73.90
Mar	74.65	75.07	74.90	74.63
May	75.10	75.40	75.25	75.10
Oct	69.20	69.85	69.80	69.20
Dec	67.25	67.85	68.00	67.05

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	156.15	156.50	158.60	155.70
Nov	144.65	144.00	145.50	142.90
Jan	140.75	140.00	142.50	140.00
Mar	139.25	139.00	140.00	139.00
May	138.25	138.00	0	0
Sep	137.50	137.00	0	0
Nov	137.50	134.50	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	661/6	673/6	671/0	631/0
Aug	615/2	638/4	669/0	614/4
Sep	602/4	625/0	613/4	602/0
Nov	610/4	632/2	620/0	610/0
Jan	621/0	641/0	624/0	620/0
Mar	625/0	645/0	627/0	625/0
May	627/0	633/0	631/0	627/0
Jul	613/0	633/0	613/0	613/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	19.11	21.25	0	19.01
Aug	19.37	19.43	19.25	19.25
Sep	19.58	19.70	19.55	19.46
Oct	19.93	19.95	19.75	19.82
Dec	20.07	20.30	20.15	20.05
Jan	20.46	20.42	20.63	20.46
Mar	20.87	20.85	20.60	20.85
May	21.11	21.25	21.25	21.11

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	204.2	188.0	207.3	204.0
Aug	193.5	207.7	206.5	193.5
Sep	187.5	196.4	197.5	187.0
Oct	184.1	192.2	191.0	183.8
Dec	184.1	188.9	187.0	184.1
Jan	184.0	188.5	185.5	183.7
Mar	184.0	188.5	185.2	184.0
May	184.0	188.0	184.5	184.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	230/6	249/0	246/4	229/4
Sep	228/4	239/4	238/0	228/0
Dec	236/4	237/6	235/4	236/4
Mar	240/6	244/6	243/0	240/0
May	241/0	249/0	246/0	241/0
Jul	235/0	241/0	235/0	234/0
Sep	230/2	241/0	0	229/4
Dec	233/4	237/0	233/4	233/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	389/4	359/0	394/6	388/0
Sep	401/4	395/6	407/6	400/4
Dec	404/4	408/2	407/0	404/4
Mar	386/0	411/4	391/0	386/0
May	352/0	382/0	390/0	362/0
Jul	356/0	359/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	72.60	72.67	73.00	72.30
Sep	73.90	74.00	74.10	73.90
Oct	75.75	75.52	76.10	75.40
Dec	74.32	74.52	75.10	74.25
Feb	72.97	73.12	73.65	72.95
Apr	74.15	74.30	74.77	74.10
Jun	72.90	73.10	73.25	72.75
Aug	71.25	71.30	71.35	71.00

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	45.85	45.72	46.15	45.60
Oct	39.82	39.82	40.10	39.50
Dec	41.87	42.07	42.25	41.75
Feb	43.05	43.27	43.40	43.05
Apr	40.70	40.82	41.15	40.60
Jun	46.00	46.00	46.25	46.00
Jul	45.60	46.67	46.75	46.40
Aug	45.62	45.62	46.10	45.60

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	28.92	29.95	30.35	28.70
Aug	28.10	28.40	28.65	27.72
Feb	41.85	42.55	42.65	41.90
Mar	41.85	42.36	42.60	41.90
May	43.05	43.20	43.50	42.90

LONDON STOCK EXCHANGE

Share prices run into profit-taking

SHARE PRICES fell back sharply in the London market yesterday as nervousness ahead of this week's announcement of the UK June trade figures encouraged investors to take some of the paper profits marked up over the past fortnight. The bulk of the setback was suffered early in the session, but London closed on a gloomy note as Wall Street opened sharply lower in the face of weak profits news from the major US oil companies.

There was little significant selling pressure on UK equities and the undertone remained steady, if somewhat less buoyant than in the early part of last week. Uncertainty ahead of Wednesday's disclosure of the UK trade figures was heightened by the prospects for today's report on business confidence from the Confederation of British Industry and by further indications, from wage settlements with BBC workers and the police force, that the 9 per cent annual wage bench-mark is being challenged.

Account Dealing Dates			
First Dealings	Jul 17	Jul 31	Aug 14
Option Declarations	Jul 27	Aug 10	Aug 31
Last Dealings	Jul 28	Aug 11	Sep 1
Account Day	Aug 7	Aug 21	Sep 11

*New time dealings may take place from 9.00 am two business days earlier

Equities opened lower, reflecting the slight surprise in London that Wall Street had closed higher on Friday despite the warning on recessionary pressures from Mr Alan Greenspan, head of the Federal Reserve Board.

Also discouraging for international investment sentiment was the disclosure at the weekend that Eurotunnel, the Anglo-French Channel Tunnel group, seeks a further £1bn.

The equity market was suffering both from indigestion, following its recent rise, and also from a lack of "money on the table", in support of last week's rush of bid developments and rumours. Good *results from Reuters* were largely ignored, and equities extended their early losses.

Among several of the recent takeover features to turn lower in the absence of firm developments, Rank Organisation and Cadbury Schweppes gave back a few pence of recent gains. BAT Industries slipped lower as the market awaited the next move on the £13bn assault by the Sir James Goldsmith cohorts.

At its final reading of 2,259.1, the FT-SE Index was 23.9 down on the day, and 1.5 per cent off its latest post Crash peak, reached last Wednesday.

Turnover was unimpressive, however, with only 357.9m shares traded, compared with more than 500m on Friday. "It really was a very tired market," commented Mr Paul Harrison of Salomon International.

Concerns that inflationary pressures may soon be replaced by recessionary ones was fuelled by poor quarterly results from Exxon, the world's largest oil company, and also by indications of impending labour layoffs in the US car industry. London had braced itself for a weak start on Wall Street, however, and the UK market closed without much reaction to the opening fall in New York.

FINANCIAL TIMES STOCK INDICES

	July 24	July 21	July 20	July 19	July 18	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	86.34	86.40	86.34	86.30	86.40	87.92	88.28 (8/2)	83.76 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.94	96.92	96.75	96.88	96.86	97.44	99.89 (16/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1872.8	1882.9	1901.4	1903.2	1883.3	1474.1	1903.2 (19/7)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	193.2	193.0	192.4	189.0	200.1	215.0	209.0 (7/7)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2259.1	2283.0	2292.3	2292.5	2273.1	1838.6	2292.5 (19/7)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.31	4.27	4.24	4.23	4.28	4.57				
Earning Yld %(full)	10.09	9.99	9.94	9.91	10.04	11.61				
P/E Ratio(Net)(*)	11.84	12.08	12.12	12.18	12.00	10.53				
SEAQ Bargains(5pm)	28,173	28,216	28,533	29,000	24,490	21,933				
Equity Turnover(£m)†	-	1352.47	1589.18	1435.18	1158.03	981.66				
Equity Bargains†	-	30,335	32,176	32,464	30,747	23,734				
Shares Traded (ml)†	-	450.1	541.6	468.7	448.1	287.4				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. * Nil 11.82

Ordinary Share Index, Hourly changes — Day's High 1886.9 — Day's Low 1872.0

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1880.5	1879.4	1878.0	1873.2	1873.7	1875.0	1875.8	1872.9

FT-SE, Hourly changes — Day's High 2279.1 — Day's Low 2258.3

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2279.0	2268.8	2268.0	2261.3	2261.8	2263.2	2264.2	2259.5

S.E. ACTIVITY

Indices	July 21	July 20
Gilt Edged Bargains	79.0	78.5
Equity Bargains	198.5	208.5
Equity Value	2733.7	3177.7
5—Day average		
Gilt Edged Bargains	81.8	88.0
Equity Bargains	212.7	229.2
Equity Value	2781.6	2942.1

SE Activity 1974. †Excluding intra-market business. London Report and latest Share Index: Tel. 0898 123001

Habitat group regraded

A broker's prediction that Storehouse is unlikely to make any profit on the first half of the current year sent shares in the retail group tumbling. The forecast came from UBS Phillips & Drew, and was immediately followed by market speculation that other brokers would cut their figures to come in line. However, most said that they would hold their fire until after the group's annual meeting this Thursday.

Mr John Smith, the stores researcher at UBS, said he was lowering his interim estimates to break-even, and his full year to £30m, from £45m, because of the continuing poor sales trends throughout the group, particularly at Habitat, where furniture is proving especially difficult to shift, and at British Home Stores.

These sentiments were echoed by other analysts, who can see little cause for optimism in the medium term from any of Storehouse's trading divisions. Since Mr Asher Edelman, the US arbitrageur with an 8.1 per cent stake in Storehouse, failed to come up with a full bid for the company before the Takeover Panel's deadline earlier this month the shares have been overvalued on fundamentals, say researchers.

At the close Storehouse were 9 lower at 144p on turnover of 6.3m shares.

Plessey alert

Traders were quick to pick up the scent of increased activity in Plessey, the UK electronics group living under the shadow of a possible renewed bid from the GEC/Siemens pairing.

Turnover in Plessey, at minimal levels in recent weeks, increased to 2.5m shares yesterday with the Plessey share price settling a net 2 off at 265p – "not a bad showing when the Footsie has been some 25 points down today," noted one marketmaker. GEC, on turnover of just over 3m shares, were a shade easier at 263p.

The talk in the market yesterday was that GEC/Siemens could well receive Government and Ministry of Defence clearance to proceed with their takeover move against Plessey by the end of this week and that a formal offer would by made next week.

Analysts were taking the view that a renewed offer by GEC/Siemens would probably be pitched at aroubnd the 265p a share level and in the form of cash and loan stock.

"The implications of a renewed bid for Plessey are obvious; to keep up their weightings in electronic the big institutions will have to pump getting on for £2bn back into the sector – and an enlarged GEC is going to be one of the prime vehicles for the re-investment," noted one sector specialist.

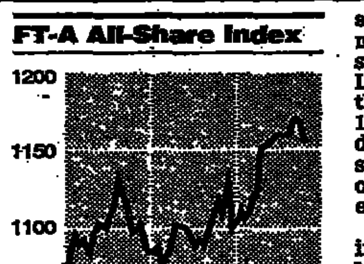
Eurotunnel down

Weekend confirmation of stories that Eurotunnel was indeed seeking additional finance because of rising costs made for further busy trading and another slump in the shares, finally down 98 more at 855p. Mr Alastair Morton, joint British chairman of the Anglo-French consortium, ruled out the possibility of a rights issue to raise the extra cash but admitted discussions had been opened with the international syndicate of banks which has so far agreed to provide £5bn in loans and standby credits. Eurotunnel declined to reveal the precise figure needed but it is thought to exceed £500m.

The shares dropped initially to 830p as dealers tried to establish a trading level; one securities house quoted an opening 800p to 830p but did not trade. A similar reaction occurred on the Paris bourse but French operators appeared slightly less nervous than London counterparts and the tendency in both centres became steadier. London turnover was again high and reckoned by marketmakers to have surpassed Friday's volume, when 2.8m shares changed hands.

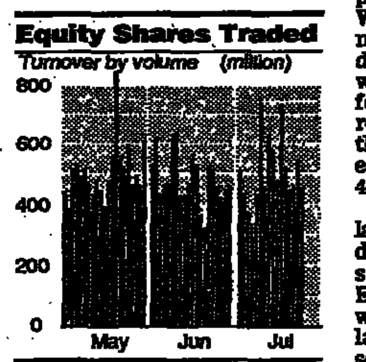
Burmah Oil were a notable casualty in the energy sector with the shares reacting sharply after last week's bid speculation-driven rise, closing 16 lower at 641p on turnover of just over 600,000 shares. The market was said to have been unsettled by a weekend report that RTZ could be on the brink of selling its speciality chemicals division for in excess of £500m. "Speculators have put two and two together and come up with five in saying that Burmah may well move for the RTZ assets and finance the purchase by a rights issue," said one analyst.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



In banks, Natwest performed creditably given the clouds hanging over the shares at present, closing 7 lower at 308p.

The international blue chips were mostly lower, in line with the sentiment of the market, and suffered further discouragement when Wall Street opened lower. Selling was light, however, and Reuters provided a firm spot, up 5 at 790p after disclosing increased profits for the first half, as well as an encouraging boardroom statement.

But ICI, with interim profits due on Thursday, eased to 1253p, still unsettled by recent suggestions from London brokers that the petrochemicals and plastics operations may have found the going hard.

Greenall Whitley dropped back 4 to 315p after announcing the sale of its bingo operations to Rank Organisation (down 19 at 938p) for £18.5m.

Stores showed no inclination to resist the downward trend, in spite of a short-term sector buy recommendation from securities house BZW. Sentiment was hit by the latest *sales report* from the John Lewis group, which showed that for the week ending July 15 department store sales were down 3.4 per cent on the same stage last year, this in spite of one new shop and several extensions.

Boots fell 4 to 275p after two institutional shareholders, Mercury Asset Management and Sun Life, voted against the planned £800m takeover of Ward White at the extraordinary general meeting in London. Although in the end Boots won approval for the deal comfortably, the institutional rebellion was enough to unsettle Ward White, which closed 5 easier at 446p, after touching 441p at one stage.

A series of three extremely large trades, comprising single deals of 9.9m, 9.9m and 8.3m shares, on the Stock Exchange's overnight ticker – which lists dealings transacted late on the previous trading session (in this case last Friday) – *caused a flurry of interest* in Ferranti, the troubled defence electronics group.

The Ferranti price flickered before ending the session a net penny easier at 88p with traders and analysts trying to pin down the origin of the three big trades carried out. The general consensus was that they represented some switching by a large institution, or possibly a share sale by Mr James Guerin, who recently left the Ferranti group. Mr Guerin was originally a director of International Signal which was subsequently taken over by Ferranti.

There was also substantial activity in British Telecom; a single deal of 5m and another of 2.5m – with plenty of 1m-plus trades – saw BT stock retreat to close 3½ down at 256p on turnover of 17m shares. Dealers said that the stock *has* been persistently sold recently, after the company's exclusion from the new personal communications licence applications and on worries about the possible impact on profits of high wage claims. The company is scheduled to reveal first quarter profits on August 17; "they are more than likely to be disappointing and only marginally ahead of the same period last year," noted one analyst. In their Weekly Round-Up Hoare Govett, the broking firm say "Even with the support of a 5.8 per cent yield, BT looks set to underperform substantially over the next twelve months."

News released over the weekend that the company is recalling some 7,000 of its PC 2000 computers because of a design fault saw Amstrad ease to 71p at the outset of trading, before rallying to 75p and then closing a net penny off at 74p on turnover of 2.2m. The recovery in the share price was said to have been helped by reports that the company will commence making facsimile machines later in the year and may well apply for one of the Government's personal communication network licences in tandem with US West. One analyst said "The bad news on Amstrad is mostly in the price and this latest story only confirms industry suspicions."

STC, scheduled to announce interim results today along with news of its ICL subsidiary, dipped 11 to 380p on turnover of 2.4m. Warburg Securities forecasts a rise of £10m to £110m for the half year.

There was a sharp reversal in SD-Scicon after the resignation of Mr J J Jerram, the finance director. No explanation for the resignation was given and dealers displayed their concern over the departure by marking the stock7½ lower to 57p.

Continental Microwave continued their recent erratic performance with the shares staging a strong recovery and closing a net 30 higher at 140p; "the stock over-reacted last week to the profits warning and now reflects the company's current performance," said one observer.

Among mostly weaker food stocks the presence of an aggressive buyer on the inter-dealer broker screens helped Unigate close 3 to the good at 416p. Also bucking the trend were Ranks Hovis Macdougall, a penny firmer at 453p, and Hazlewood Foods, up 4 at 262p after a tip in the weekend press. Dalgety held firm at 409p; bid speculation has supported the price well recently, with Mr Robert Holmes á Court, the Australian financier, and Harrisons Crosfield, the trading group, named as potential predators.

Profits continued to be taken in Cadbury Schweppes, down 10 at 444p, and United Biscuits, down 4 at 404p; County NatWest *WoodMac has* moved both stocks from its buy to its hold list.

Bullough slumped 15 to 157p after revealing disappointing interim profits of £12m, up just 9 per cent on the previous year, while the lack of a follow-through from last week's bid speculation saw Fairey Group give up 7 at 239p.

Siebe were dragged down by adverse comment, first on its exposure to the US auto-component market and secondly on the slowdown in the European white goods market. The shares came under undue pressure and aborted a mid-session rally to close 22 down at the day's lowest of 537p. According to a leading house, which *emphasised it was content to stay with its profits estimate*, the article was based on a less favourable forecast from an analyst over-optimistic of the company's fortunes.

Buyers of recent popular stocks hung back and with demand insufficient to absorb increased offerings of British Aerospace the price dropped 12 to 710p. A lull in US support led to lower volume and a reaction in Blue Arrow shares, down 2½ at 110p on turnover of 4.4m. But news that Mr *David Rowland had* acquired a 3 per cent stake nudged De La Rue higher to 339p.

The passing of the final dividend and the disclosure that DSC had fallen into the red last year left the shares 10 lower at 77p.

Business in Jaguar suffered from a newspaper report that the group was heading for a *first-half profits slump*, which *most analysts expect*, and the shares fell 13 to 393p. Lucas Industries was another loser at 638, down 10, and Lex Service (4 easier at 369p) went lower on a report of possible disposals. Against the trend, Armstrong Equipment edged higher to 194p on suggestions of an impending approach from J H Fenner.

The smallest business since the day the mega-bid from Hoylake was announced – turnover was less than 1m shares – ended with BAT Industries down 9 to 875p. Reed International was another stock to slip in light trade, and closed 8 lower at 417p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 22

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BOC	2,800	521	-8	General Elec.	3,100	263	-1	Midland Bank	925	345	-9	Smith & Nephew	1,200	138	-½
BPB Inds.	240	253		Glaxo	559	1398	-14	Nat. West. Bank	1,700	308	-7	Smiths Industries	252	323	-3
BTR	929	402	-8	Globe Inv.	156	190½	-1	Next	879	143	-2	Standard Chartered	419	525	-3
Barclays	1,100	478	-6	Glynwed Int.	887	316	-6	Northern Foods	194	393		Storehouse	6,300	144	-9
Bass	220	1029	-12	Granada	475	349	-2	Pearl	126	588	-8	Sun Alliance	640	295	-2
Beecham	1,300	626	-3	Grand Met.	1,000	581	-4	Pearson	390	740	-2	T&N	321	204	-2
Blue Circle	538	554	+1	GUS A	343	1110	-16	P & O	816	680	-16	TSB	1,900	186	-1½
Boots	511	275	-4	GRE	893	217	-4	Pilkington	1,100	238	-5	Tarmac	1,200	309	-2
Brit. & Comm.	512	174	-3	GKN	499	423	-3	Plessey	2,500	265	-2	Tate & Lyle	483	278	-4
Brit. Aerospace	584	710	-12	Guinness	1,200	525	-2	Polly Peck Intl.	761	385	-6	Taylor Woodrow	243	313	-2
British Airways	1,700	204	-2	Hammerson "A"	77	785	-2	Prudential	3,300	198	-2	Tesco	1,600	192	-4
British Gas	4,200	196½	+1	Hanson	1,400	218¼	-3	RHM	203	453	+1	THORN EMI	452	790	-1
British Land	756	373	-9	Harrisons & Cros.	388	171		RMC	253	746	-5	Trafalgar House	704	363	-5
BP	4,330	305½	-2	Hawker Siddeley	192	745	-9	RTZ	1,100	505	-1	Trusthouse Forte	1,850	344	-9
British Steel	3,600	75	-1	Hillsdown Hldgs.	2,100	280	-3	Racal	1,500	427	-3	Ultramar	1,900	333	-6
British Telecom	17,000	256	-3½	[illegible]	9,300	238	-6	Rank Org.	494	938	-19	Unilever	887	631	-6
Burmah Oil	682	641	-16	Imp. Chem.	494	1253	-1	Reckitt & Colman	281	1190	-9	United Biscuits	1,400	404	-4
Burton	1,400	241	-7	Inchcape	219	283	-1	Redland	128	597	-6	Utd. Newspapers	621	450	
Cable & Wireless	1,900	589	-3	Jaguar	774	393	-13	Reed International	987	417	-8	Wellcome	103	453	-4
Cadbury Schweppes	1,900	444	-10	Kingfisher	1,500	327	-5	Reuters	443	790	+5	Whitbread "A"	218	362	-2
Carlton Comms.	376	794	-9	Ladbroke	1,600	312	-5	Rolls Royce	2,600	166½	-5	Williams Hldgs.	1,600	264	-6
Commercial Union	1,100	416	-2	Land Securities	1,000	583	-6	Rothmans	180	647	-6	Wimpey	471	274	-1

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (188).

LOANS (1) N'wide Ang. 11⅞pc 7.8.90, AMERICANS (4) Campbell Soup, Colgate-Palmolive, Honeywell, Merrill Lynch, CANADIANS (1) Toronto Dom., BANKS (5) Deutsche Bk., Goode Durrant, Mitsubishi T & B, Warburg (S.G.), Woodchester, BREWERS (1) Marston Thompson, BUILDINGS (1) CRH, CHEMICALS (4) Canning (W.), Rentokil, Schering, Yule Catto, STORES (3) Aquascutum "A", Asprey, Goodman, ELECTRICALS (5) CML Microsystems, Electron Hse, Molynx, Pelon, Sanderson Elect., ENGINEERING (8) BM, Bromsgrove Inds., Cook (Wm.), Renold, Tex Hldgs., FOODS (4) American Dist., BSN, Dalgety, Morrison (Wm.), HOTELS (1) Jurys Htl., INDUSTRIALS (22) AIM, Assoc. Brit. Consultants, Assoc. Brit. Ports, Assoc. Nursing Servs., Avis Europe, B.H. Prop., BOC, Barry Wehmiller, Bear Brand, Bimec, Blue Arrow, Brit. Vita, Brooks Serv., Computer People, Dover Corp., Huntingdon Int'l., Mosaic Invs., Photo-Me, Rolfe & Nolan, Sthn. Bus. Grp., TT Grp., Unilever N/V., INSURANCE (2) Allianz, Hibernian, LEISURE (2) Cityvision, Orient Ex. Hotels, MOTORS (1) Central Mtrs. Acts., NEWSPAPERS (1) Sterling Pbs., PAPERS (2) ORG. Mil-Research, PROPERTY (2) City Site, McInerney, TRUSTS (20) OILS (2) Clyde Pet., Mid. & Scot. Res., MINES (3) Dominion Mng., Northgate, Stilfontein, THIRD MARKET (2) Tomorrows Leis., Whitegate Leis, Wrrnts.,

NEW LOWS (34).

AMERICANS (1) CityFed, CANADIANS (1) Tara Pure Tech., BUILDINGS (7) Bellway, Bellwinch, Countryside Props., Fairbriar, Federated Housing, Jarvis (J.), Maunders (J.), ELECTRICALS (5) Crystalate, Multitone El., Nth. Telecom, SD-Scicon, UCL, INDUSTRIALS (6) Betacom, Campbell & Armstrong, Chestergate, Creighton Labs., NMW Computers, Optical & Med. Int'l., Sharp & Law, West Inds., LEISURE (2) Noble Raredon, TVS Ent., MOTORS (1) Spice, PAPERS (1) Lawson Mardon, TEXTILES (1) Tomkinsons, TRUSTS (2) Dominion Int'l., Rathbone Bros., OILS (2) NZ Oil & Gas, Southwest Res., MINES (3) Cluff Res., Essex Int'l., Falcon.

APPOINTMENTS

Changes at Vosper Thorneycroft

■ Mr Martin Jay has been appointed managing director and chief executive of VOSPER THORNEYCROFT HOLDINGS. He succeeds Mr Peter Usher who is to become deputy chairman. The changes will take place early in October. Mr Jay joins from GEC where he was head of the electronic components division. Mr Roy Withers, Vosper's chairman, intends to retire towards the end of 1990. Mr John Gilbertson, previously director of business development for Thermal Scientific, has joined Vosper Thorneycroft, to assist the board in group development.

■ INDEVO has appointed Dr Gareth Jones as a non-executive director. He was managing partner of Ernst & Whinney Management Consultants.

■ REED TRAVEL GROUP, Dunstable, part of Reed International, has appointed Mr Peter Watson as marketing director. He was managing director of Mondial Assistance.

■ THE ROYAL BANK OF SCOTLAND has appointed Mr Martin Hattam as manager of Holt's from July 31, and Mr Alastair O'Neill as manager of Drummonds from September 9. Both banks are in Whitehall.

Senior posts at Barclays Registrars

■ Following the purchase of Hill Samuel Registrars, now renamed BARCLAYS REGISTRARS, Barclays Global Securities Services has made the following appointments. Mr David Harries has been appointed registration services director and managing director of Barclays Registrars. Mr Brian N. Thorpe becomes deputy managing director, and continues as head of Barclays registration and new issues department. Mr Malcolm Sanders succeeds Mr Harries as systems director of Barclays Global Securities Services.

■ Mr Sean Mayo has been appointed to the board of TERN PROPERTIES. He was a director of Dares Estates subsidiary, Hughes Group Holdings.

■ Mr Vinod K. Desai has been appointed group deputy finance director of MINET HOLDINGS. Mr P. Carmichael, Mr A.J. Sadler and Mr K.L. Sammons join the board of Minet Group Services.

■ J.H. MINET & CO has appointed Mr Anthony Bergin-McCarthy as divisional executive director of the financial services division.

■ Mr David G. Tree has joined the board of THURGAR BARDEX as a non-executive director. He is corporate finance director of Swiss Bank Corporation.

ISOWORTH has appointed Mr Paul Judge *(above)* as chairman in succession to Mr Peter Hewitt who remains a director. Mr Judge was chairman of Premier Brands. Isoworth recently launched Fizz-Wizz, a domestic carbonated drinks maker.

■ Mr Roger Mathews, managing director, has been promoted to chairman and chief executive of WCRS MATHEWS MARCANTONIO. Other promotions include Mr Michael Mainwaring to joint deputy chairman, and Mr Peter Atkinson to director of international operations.

■ Mr David Male is to be president of THE ROYAL INSTITUTION OF CHARTERED SURVEYORS for 1989/90.

Managing director of Phoenix Timber

■ Mr Ian Tozer has been appointed managing director of PHOENIX TIMBER GROUP, taking over operational responsibilities from Mr Peter Quinn, the chairman.

■ Mr Rick Bloomfield has been appointed group finance director of HALL & TAWSE GROUP, construction division of Raine Industries, of which he was corporate finance executive.

■ Mr John Tompkins has joined THE SUMMIT GROUP as finance director. He was chief executive of Atlantic Computers, and a non-executive director of Summit, until 1988.

■ Mr Andy Campbell has been appointed construction director of MULTI CONSTRUCTION, Stockport. He was with A. Monk. Mr Terry White becomes group financial director and company secretary, and Mr David Coleman is made chief quantity surveyor.

FT LAW REPORTS

Mark cannot be registered for retail services

RE DEE CORPORATION PLC AND OTHERS

Court of Appeal (Lord Justice Slade, Lord Justice Stocker and Lord Justice Bingham): July 20 1989

A SERVICE MARK is not registrable in respect of retail services facilitating the selection and purchase of goods, including the sale transaction, in that they are not charged for separately as services, but merely contribute indirectly to the prices charged on goods.

The Court of Appeal so held when dismissing three appeals by Dee Corporation plc, Homebase Ltd, and The Boots Co plc, from refusals by the Registrar of Trade Marks to register their marks in respect of retail services.

LORD JUSTICE SLADE said that Boots, in addition to providing a pharmacy, sold a wide range of goods. It sought registration of the word "Boots" in characteristic script form as a service mark in respect of optician, beauty and other services, and "retail services."

Homebase sold goods in the field of self-service home and garden improvements. It sought registration of "Homebase" in characteristic script as a service mark in respect of kitchen and garden design and other services, and "retail services."

Dee, now known as Gateway Corporation, sought registration of a device mark featuring a characteristic form of the letter "G," in respect of "retail services."

The Registrar of Trade Marks objected to the applications in respect of "retail services" *on the ground that* "retail services" normally related to trading in goods, not services.

At a hearing on June 7 1988 the objections were maintained and registration was refused. The grounds of decision were that the law did not provide for registration of a mark as a service mark, unless it was used in relation to a business providing the service for payment.

On appeal to Mr Justice Falconer, the question was whether a service mark could be registered under the Trade Marks Act 1938 as amended, in *respect of "retail services."* The judge decided it could not. The applicants now appealed.

The criteria for registration as a trade mark within section 68(1) of the 1938 Act were that (i) there must be "goods" in respect of which registration was sought; (ii) the proprietor of the mark must be connected "in the course of trade" with those goods; and (iii) he must use or propose to use the mark to indicate his "connection in the course of trade" with the goods.

In *Aristoc v Rysta (1943) 62 RPC 65* the House of Lords *made it plain that even though* a person might trade in the provision of services (for example a cleaner or piano-tuner), his use of a mark did not denote a "connection in the course of trade with such goods," unless he actually traded in the goods themselves. The law was changed to provide for the registration of service marks, by the Trade Marks (Amendment) Act 1984, which was amended by the Patents Designs and Marks Act 1986.

The definition of a "service mark" in section 1(7) of the 1984 Act as amended, was a *mark used in relation to* services "to indicate that a particular person is connected, in the course of business, with the *provision of those services.*"

Section 68(1) of the 1938 Act as amended by the 1984 Act defined provision in relation to services as "provision for money or money's worth."

Thus the criteria for registration as a service mark were: (i) there must be a business providing the service in respect of which registration was sought; (ii) that service must be provided "for money or money's worth"; (iii) the proprietor of the mark must be connected in *the course of business with the* provision of the service; and (iv) he must use or propose to use it to indicate his connection in the course of business with the provision of the service.

Mr Hobbs for the applicants defined "retail services" as "the provision of personal assistance and ready-made facilities for the selection and purchase of goods on an off-the-shelf or over-the-counter basis."

In the present judgment the phrase was used in that sense. Mr Hobbs accepted that it was intended to include the actual transaction of sales.

There was evidence that the cost of providing the facilities and activities comprised in the "retail services" offered by the applicants were passed on to their customers in the prices charged on goods sold.

That factor was the foundation of the applicants' submission that the retail services were "provided for money or money's worth."

However, it could not be contended that those retail services were charged for as such. Though intelligent customers *would no doubt* be aware that they would be reflected in a mark-up of prices of goods sold, no separate charge would be made for them.

Mr Justice Falconer said that provision of services "for money or money's worth" could only mean that the services had to be charged for as such.

He said *Aristoc* decided that "the provision of a service is not the equivalent of carrying on a trade." He said the amendment to the Act had not changed the law, and that "the distinction between a trade mark and a service mark has been preserved."

Mr Hobbs said the judge was wrong to regard *Aristoc* as authority for the proposition *that provision of a service* was not the equivalent of carrying on a trade.

The judgment, it was said, was based on an antithesis between trade marks and service marks which the statute did not establish or require.

The judge expressed himself a little too widely in saying that *Aristoc* decided that the provision of a service was not the equivalent of carrying on a trade.

Perhaps a more accurate *summary of the effect of Aristoc* was "the provision of a service in respect of goods after they have reached the consumer is not the equivalent of carrying on a trade."

The question whether the provision of a service in respect of goods *before* they had reached the consumer was the equivalent of carrying on a trade, must depend on the nature of the activities in question.

Nevertheless, Mr Justice Falconer did not misdirect himself by any misleading antithesis between the statutory definitions of a trade mark and a service mark.

He was right in holding that if a service was to fall within the definition of a service mark, it had to be charged for separately and as such.

On any application for registration of a service mark, the wording of section 68(1) of the 1938 Act as amended, required the Registrar to consider whether the person concerned was "connected in the course of business" with provision of the services for money or money's worth.

Mr Hobbs submitted that a person could satisfy that criterion even though no one was actually engaged in the business of providing the relevant service.

He could not.

If the criterion was to be satisfied someone had to be engaged "in the business" of providing the service for money or money's worth.

The broad purpose of trade mark legislation was to afford a means of statutory protection for the goodwill of persons who traded in goods. The broad purpose of the new legislation was to afford statutory protection for the goodwill of persons who traded in the provision of services.

If they were not actually trading in the services, but the services were merely ancillary to their principal trading activities, there was no reason why the legislature should have intended to give them any protection.

Mr Justice Falconer was right to uphold the decision of the hearing officer. The appeals were dismissed.

Lord Justice Stocker and Lord Justice Bingham agreed.

For the applicants: Geoffrey Hobbs (Lovell White Durrant).

For the Registrar: Nicholas Pumfrey (Treasury Solicitor).

Rachel Davies
Barrister

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	53.41	53.97	57.42	+0.01	4.77
Gilts & Fixed Int	6	111.20	111.20	117.80	-0.30	8.49
High Inc Equity	6	137.30	140.20	149.20	-0.96	4.26
Worldwide Bond	6	201.50	201.50	213.50	+0.40	4.54
Capital Growth						
American Growth	6	185.20	187.50	199.50	+1.00	0.95
Asian Pacific	6	98.76	100.60	107.10	+0.24	2.22
Assets & Earnings	6	163.70	167.30	178.00	-0.60	2.06
Capital Reserve Acc	0	86.44	86.44	86.50	+0.01	4.92
Cmdty & Energy	6	102.10	102.10	109.20	-0.90	1.74
1992 Enterprise	6	59.20	60.40xd	64.26	+0.05	2.80
European Capital	6	89.47	90.17	95.93	+0.27	0.78
General	6	186.00	189.10	201.20	-0.10	2.24
International	6	46.42	47.14xd	50.15	+0.34	1.00
Japan	6	110.40	110.40	116.10	+1.30	0.00
Mastertrust	6	87.42	87.42xd	93.50	+0.22	1.82
UK Growth Acc	6	205.20	213.90	227.60	-0.60	1.23
UK Growth Dist	6	136.90	142.60	151.80	-0.40	1.84
US Emerging Cos	6	52.77	54.54	58.03	+0.21	0.00
Income & Growth	6	310.90	317.50	337.80	-0.20	3.03
Ethical	6	49.50	50.70xd	53.94	-0.09	1.85

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5	31.51	31.51	33.64	+0.17	3.26
European	5¼	66.77	66.95	71.47	+0.16	0.00
European Income	5¼	65.39	65.39xd	69.81	+0.33	2.93
Exempt	1	832.0	832.0xd	868.3	-1.90	2.05
Extra Income	5	45.18	45.18xd	48.23	[illegible]	[illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Meridian Growth	6	121.9	122.7xd	131.2	-0.3	1.41
Midland Personal Pension Unit Trust						
British	6	60.80	61.49	65.41	-0.58	2.32
European Growth	6	60.15	60.27	64.12	+0.34	0.27
Gilt & Fixed	6	50.73	50.73	53.96	-0.1	8.92
Income	6	56.81	57.68	61.36	-0.51	3.34
Japan Growth	6	55.62	55.93	59.50	+0.24	0.00
Managed	6	56.92	57.71	61.39	+0.01	1.95
Money Market	6	52.97	52.97	56.14	+0.02	10.69
North American	6	58.55	59.52	63.32	+0.19	0.23
Midland FSAVCS Unit Trust						
British	6	57.41	58.06	61.77	-0.54	2.35
European Growth	6	58.67	58.78	62.53	+0.32	0.27
Gilt & Fixed Int	6	49.92	49.92	53.09	-0.09	8.91
Income	6	57.69	58.60	62.34	-0.54	3.36
Japan Growth	6	57.86	58.17	61.88	+0.24	0.00
Managed	6	56.02	56.79	60.42	.....	1.93
Money Market	6	51.04	51.04	54.10	+0.02	10.75
North American	6	58.95	59.89	63.71	+0.19	0.23

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK High Inc Eq Acc	5	83.16	83.16xd	89.86	[illegible]	[illegible]
Hong Kong Inc	5	39.08	39.08	41.67	.....	[illegible]
Hong Kong Acc	5	40.44	40.44	43.12	.....	[illegible]
Swiss Equities Inc	5	37.86	37.86	40.64	+0.24	[illegible]
Swiss Equities Acc	5	38.19	38.19	41.00	+0.25	[illegible]
W'wide Bond Inc	5	52.54	52.54	55.49	+0.05	[illegible]
W'wide Bond Acc	5	54.25	54.25	57.29	+0.05	[illegible]
Emerging Asia Inc	5	82.43	82.43	88.37	+0.81	[illegible]
Emerging Asia Acc	5	82.43	82.43	88.37	+0.81	[illegible]

Provident Mutual Unit Tst Mgrs Ltd (0900)F
25-31 Moorgate, London, EC2R 6BA. 01-588 [illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	121.6	123.7	131.5	-1.7	[illegible]
PM Income & Gth	5	105.6	107.5	114.3	-1.4	[illegible]
PM Nth Amer Gth	5	56.36	56.36	59.95	+0.82	[illegible]
PM European Gth	5	57.85	57.85	61.54	+0.47	[illegible]
PM Japan Gth	5	79.25	79.39	84.45	+1.2	[illegible]
PM Overseas Gth	5	54.26	54.26	57.72	+0.84	[illegible]

[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Combl & Equity	5	63.28	66.58	70.82	----	6.72
European	5	69.83	70.22	74.70	+0.54	0.09
Far Eastern	5	64.60	64.79xd	68.92	-0.50	0.64
Growth Inc	5	89.70	93.14	99.08	-0.63	1.41
Growth Acc	5	89.70	93.14	99.08	-0.63	1.41
Income Inc	5	86.24	88.32	93.95	-0.59	4.53
Income Acc	5	86.24	88.32	93.95	-0.59	4.53
Property Share	5	55.83	55.83	59.51	-0.35	0.99
Smaller Co's	5	59.80	61.65	65.64	-0.08	1.46
Nth American	5	62.80	62.80xd	67.16	+0.12	1.60
International	5	48.41	48.41xd	51.78	+0.15	1.42
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Growth	5	112.25	112.25	117.25	----	4.05
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	65.25	67.79xd	72.12	-0.03	2.51
YUTM UK Eqty Inc Tst	5¼	61.80	63.85	67.93	-0.26	4.41
YUTM Intl Gwth Tst &	5¼	51.68	51.68	55.17	+0.02	0.85

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gr's
Baillie Gifford & Co Ltd				
Int'l Expt June 7	485.3	503.8	----	-
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund June 30		514.35	----	4.73
Fxd Int Sec June 30		138.65	----	10.31
Deposit June 30		100.00	----	13.05
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS 01-280 2800				
C'inco Inc July 19	165.6	169.9	+0.70	10.06
C'inco Acc July 19	679.4	697.0	+3.00	10.06
C'share Inc July 19	157.3	163.3	+2.20	3.85
C'share Acc July 19	172.8	179.4	+2.30	3.85
Charities Official Invest. Fund‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Income June 30		493.06	----	5.01
Accum June 30		1644.04	----	-
Edinburgh Fund Mngrs PLC				
Exempt Funds				
American July 19	146.8	150.8	+4.6	1.50
Managed July 19	138.8	144.0	+2.6	2.00
Japan July 20	138.9	142.7	-2.4	0.14
Pacific July 21	461.0	473.7	+0.5	0.21
Sm Jap Cos July 21	277.9	285.5	-1.3	0.10
Fidelity Investment Services Ltd				

	Bid Price	Offer Price	+ or -	Yield Gross
Albany Life Assurance Co Ltd—Contd.				
Sunrise Metro	119.0	125.2	0.9	-
UK Metro	119.7	125.9	-0.9	-
N Am Pe Fd Acc(z)	259.2	272.8	2.0	-
Pac Basin Fd Acc(z)	176.1	185.3	1.0	-
Property(z)	577.6	607.9	0.2	-
Mple Inv Pens Acc(z)	1485.7	1563.9	-3.0	-
Bristol Funds				
Prof. Pen. Fd	98.8	105.9	-0.4	-
YRA Strategy	120.4	126.7	0.4	-
Langham Dollar (SE)	139.7	147.8	0.4	-
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	263.0	276.9	0.2	-
Equity Acc	885.2	931.8	-3.2	-
Property Acc	502.3	528.8	0.2	-
Far East Acc	204.4	215.2	-1.0	-
European Acc	23.5	24.8	0.1	-
Managed Acc	694.6	731.2	-1.9	-
Managed Cap	393.4	414.2	-1.0	-
O'seas Earnings Acc	593.5	624.8	-1.2	-
Gilt EdgedAcc	316.8	333.5	-0.1	-
American Equity Acc	469.5	494.8	2.8	-
American Man. Acc	217.1	228.6	1.4	-
American Prop Acc	146.7	154.5	0.7	-
Pen.F.I.Dep.Cap	290.2	305.5	0.2	-
Pen.F.I.Dep.Acc	497.0	523.3	0.5	-
Pen. Prop. Cap	587.7	618.7	0.1	-
Pen. Prop. Acc	1116.8	1175.6	0.5	-
Pen. Man. Cap	848.6	893.3	----	-
Pen. Man. Acc	1611.0	1695.8	0.6	-
Pen.GiltEdg.Cap	318.9	335.7	-0.2	-
Pen. Gilt Edg. Acc	498.2	522.5	-0.2	-
Pen. Eq. Cap	1399.0	1472.7	-0.3	-
Pen. Eq. Acc	2012.9	2118.9	0.2	-
Pen. Am. Eq Cap	154.2	162.4	1.2	-
Pen. Am. Eq Acc	187.0	196.9	1.5	-
Pen. Far East Cap	246.3	259.3	1.7	-
Pen. Far East Acc	298.6	314.4	2.1	-
Pen. Euro Cap	27.2	28.7	----	-
Pen. Euro. Acc	29.7	31.3	----	-
Pen. B.S. Acc	547.9	573.3	0.7	-
Pen. B.S. Cap	327.5	343.9	0.3	-
Pen. D.A.F. Acc	383.4	383.4	0.4	-
Pen. D.A.F. Cap	257.3	257.3	0.2	-
Pen. Mortgage Cap	147.1	154.9	0.1	-
Pen. Mortgage Acc	178.5	187.9	0.3	-
Hambro Funds				
Pen Equ Cap	29.6	32.2	-0.1	-
Pen Equ Acc	38.9	32.6	-0.1	-
Pen Am Eq Cap	33.8	35.6	0.2	-
Pen Am Eq Acc	35.3	37.2	0.2	-
Pen Far East Cap	31.7	33.4	0.1	-
Pen Far East Acc	33.1	34.9	0.1	-
Pen Euro Cap	37.7	39.7	0.2	-

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

	Bid Price	Offer Price	+ or −	Yield Gross
Premium Life Assurance Co Ltd				
37-39 Perrymount Road, Haywards Heath 0444 458721				
American	128.0	135.0	-----	-
Building Soc. Fd.	172.0	182.0	-----	-
Balanced	289.0	305.0	-----	-
European	181.0	191.0	-----	-
GT Managed	180.0	190.0	-----	-
Gartmore Mngd	119.0	126.0	-----	-
German	129.0	136.0	-----	-
Gilt	185.0	195.0	-----	-
Global	49.0	52.0	1.0	-
High Inc	126.0	133.0	-----	-
International Equity	200.0	211.0	-----	-
Japan	243.0	256.0	1.0	-
Managed	64.0	68.0	-----	-
Property	283.0	298.0	-----	-
P W Imperial Gold	147.0	155.0	-----	-
UK Equity	372.0	392.0	-----	-
Pension Funds				
American	155.0	164.0	-----	-
Building Soc. Fd.	173.0	183.0	-----	-
Balanced	223.0	235.0	-----	-
European	181.0	191.0	-----	-
German	113.0	119.0	-----	-
Gilt	156.0	165.0	-----	-
International Equity	146.0	154.0	-----	-
Japan	138.0	146.0	-----	-
Managed	66.0	70.0	-----	-
Property	218.0	230.0	-----	-
UK Equity	338.0	356.0	-1.0	-
Prolific Life & Pensions Ltd				
Stramongate Kendall Cumbria LA9 4BE 0539 733733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Grth Mngd.	605.4	638.0	-2.7	-
Adventurous Mngd	130.7	137.8	-0.3	-
Secure Mngd	110.4	116.4	-0.3	-
Cash Fd	234.8	247.5	-----	-
Property Fund	288.1	306.5	-----	-
Equity Fund	683.1	719.9	-3.7	-
Fxd. Int. Fund	300.8	317.0	-0.8	-
International	302.3	321.6	-0.1	-
High Income	477.1	507.6	-5.9	-

	Bid Price	Offer Price	+ or −	Yield Gross
Prudential Holborn Pensions Ltd—Contd.				
Communications	106.5	112.2	-0.3	-
Smaller Companies	111.9	117.8	-0.1	-
International Small Cos	133.0	140.0	0.3	-
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH 01-405 9222				
Discretionary July 19	£160.74	166.39	-----	-
Equity July 19	£178.83	185.68	-----	-
International July 19	£26.21	27.07	-----	-
Intl Bond July 19	£12.41	12.58	-----	-
Fixed Int July 19	£73.04	74.02	-----	-
Index Linked July 19	£62.44	63.31	-----	-
Property July 19	£112.11	118.75	-----	-
Cash July 19	£21.1407	21.1407	-----	-
Pru-Linked Retirement Plan				
Managed July 19	394.6	410.9	-----	-
Cash July 19	198.5	206.8	-----	-
Prudential Pensions Investment Account				
Pens Mngd July 24	158.4	170.3	-0.3	-
Pens UK Eq July 24	315.5	340.6	-0.9	-
Pens Intl July 24	183.1	197.3	-0.5	-
Pens Fixed July 24	168.3	177.8	0.4	-
Pens Index Lk July 24	159.3	168.4	0.8	-
Pens Cash July 24	129.6	136.6	-----	-
Regency Life Assurance Co Ltd				
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800				
Aggressive Ptflio Fd.	121.6	127.9	0.2	-
Balanced Ptflio Fd.	318.1	334.8	0.3	-
Cautious Ptflio Fd.	122.7	129.1	0.1	-
Elite Fund	113.1	119.6	1.0	-
European Fund	89.0	93.6	0.6	-
Far East Fund	107.1	112.7	0.8	-
Fixed Interest Fund	241.9	254.6	-----	-
International Fund	278.5	293.1	1.8	-
Money Fund	177.9	187.2	0.1	-
N. American Fd.	121.4	127.7	1.1	-
Property Fund	423.0	445.2	0.9	-
UK Equity Fd.	388.1	408.5	0.4	-
A.I.M. Brewin Dolphin Fd.	95.6	100.6	-----	-
Swim Select Invs.	112.5	118.4	0.8	-

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

صكنا من الاجل

FT UNIT TRUST INFORMATION SERVICE

[illegible]

ISLE OF MAN (**)

[illegible]

LUXEMBOURG (**)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

OFFSHORE INSURANCES

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

BRITISH FUNDS—Contd

Over Fifteen Years

[illegible]

Undated

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
45¾	41½	Consols 4pc	42	–⅛	9.34	–
40⅝	36⅝	War Loan 3½pc‡‡	38¼	–⅛	9.18	–
70	60⅞	Conv. 3½pc '61 Aft.	65	–⅛	5.35	–
41	31	Treas. 3pc '66 Aft.	34⅝	–⅛	8.66	–
30¼	26	Consols 2½pc	27	–⅛	9.24	–
29½	25¾	Treas. 2½pc	26	–⅛	9.32	–

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
89½	86½	NZ 7¼pc 1988-92	88½	.....	8.19	11.80
206	206	S Rhod 2½pc Non-Asstd.	206	.....	–	–
84½	84½	Do. 4½pc 87-92 Asstd.	84½xd	.....	5.33	9.33

LOANS

Building Societies

[illegible]

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
47	45	Met. Wtr. 3pc 'B'	46	.....	6.52	10.62

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	40	Greek 7pc Ass.	40	.....	3.50	18.75
45	40	Do. 6pc 28 Stb. Ass.	40xd	.....	3	17.50
45	40	Do 4pc Mixed Ass.	40xd	.....	2	15.00
80	65	Hung. '24 Ass.	80	.....	2.75	13.57
139	128	Hydro Quebec 15pc 2011.	133	–¼	15.00	10.96
128	118	Iceland 14½pc Ln 2016.	123xd	–¼	14.50	11.59
97¼	91½	Ireland 9¾pc '91-96.	92¼xd	.....	9.75	11.40

AMERICANS

[illegible]

Continued on next page

Money Market Bank Accounts

[illegible]

Money Market Trust Funds

[illegible]

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
20⅝	16⅞	FPL Group 1c	19⅞	+⅛	$2.29	—	7.3
32⅛	27⅝	Ford Motor $1	30¼	+½	$3.00	—	6.2
45⅞	30⅞	GATX 62½c	43⅞	−⅞	$2.00	—	2.9
35¼	24¼	Gen. Elect. 63c	34⅞	+⅞	$1.64	—	3.0
568p	483p	♥General Host Corp $1	493p	−6	30c	—	3.9
39¼	16¼	Gillette $1	27⅞	+⅞	96c	—	2.2
987p	616p	Gt Am First Svgs Bk $1	802p	−4	60c	—	4.7
23⅝	16⅞	Greyhound $1½	20¼	−⅛	$1.32	—	4.1
14¼	847p	Hasbro Inc 50c	12⅛	+⅛	16c	—	0.8
52¼	32¾	Honeywell $1½	52½	+1⅛	$2.10	—	2.5
21¼	15¼	Houston Inds	20⅝	+¼	$2.96	—	9.1
74⅝	63⅞	IBM Corpn $1¼	70⅝	−1⅛	$4.84	—	4.4
60p	45p	♥Imagy Storage/R Sys 1c	55p	....	—	—	—
28¾	16¾	Ingersoll-Rand $2	28⅞	....	$1.20	—	2.7
33	22½	Lockheed Crpn. $1	30⅛	+⅛	$1.60	—	3.4
22⅛	15⅞	Lone Star Inds $1	19¾	+⅞	$1.90	—	6.1
25	17½	Louisiana Land 15c	24¼	....	$1.00	—	2.6
17	11½	Lowe's 50c	15⅝	+⅛	48c	—	1.9
25⅛	15⅞	Manuf. Hanover $1	24⅞	+⅛	$3.28	—	8.4
20¾	13⅞	Merrill Lynch $1	20½	+⅛	$1.00	—	3.0
2253p	1910p	Molex Inc.	2113p	−20	3.2c	—	—
27⅞	16⅞	Morgan (JP) $2½	23⅛	+⅛	$1.66	—	4.5
54½	36⅛	NYNEX $1	47⅛	−⅝	$4.36	—	5.8
24⅝	18¼	PHH Corp.	23	+⅛	$1.12	—	3.1
259p	180p	♥Pacific Agr.	160p	....	—	—	—
27¼	19	Pacificorp $3¼	24⅞	+¼	$2.76	—	6.7
27¼	16⅞	Pacific Telesis 10c	25⅞	−⅛	$1.88	—	4.6
22¼	15⅞	Pall Corp. 25c	20⅝	....	48c	—	1.5
55⅜	39⅞	Pennzoil 83 1/3c	58⅞	−⅞	$3.00	—	3.8
25½	17⅞	Premark Intl.	22⅝	+⅛	84c	—	2.3
42⅞	28⅛	Quaker Oats $5	40⅞	+⅞	$1.20	—	1.9
32⅞	23½	Rep NY Corpn $5	29⅞	+⅛	$1.28	—	2.7
15⅛	11⅞	Rockwell Intl. $1	13⅞	+⅛	78c	—	3.6
35	21⅝	Southwestern Bell $1	32⅞	....	$2.60	—	5.0
27⅞	17⅞	Sun Co. Inc. $1	23⅛	....	$1.80	—	4.9
30⅛	22⅞	TRW Inc. 62½c	30	+⅛	$1.72	—	3.6
22¼	14⅛	TW Services $5	20⅛	+⅛	10c	—	0.3
36⅜	26⅛	Tenneco $5	35⅜	−⅞	$3.04	—	5.4
35⅞	28	Texaco $6.25	33	....	♦$3.00	—	5.8
28⅞	21⅝	Texas Instr. $1	23⅞	−⅞	72c	—	1.9
117⅞	58⅝	Time Inc. $1	85⅞	+⅞	$1.00	—	0.7
18⅞	15⅞	TRINOVA Corp.	16⅜	−⅛	$64c	—	2.4
24⅛	16	USX $1	21⅜	−⅛	$1.40	—	4.1
197p	126p	♥Unilab	197p	....	—	—	—
33⅞	22⅛	Utd. Technologies	33⅜	+⅛	$1.60	—	3.0
158p	128p	♥UUtech Inc.	137p	....	—	—	—
46½	31½	US West	42⅞	−⅛	$3.76	—	5.5
36⅛	22⅝	Waste Management $1	35⅞	+⅞	48c	—	0.9
20¼	13½	Whirlpool $1	19⅛	....	$1.10	—	3.6
24⅛	16⅞	Whitman Corp.	21⅝	−⅛	$1.02	—	3.0
36⅞	28⅛	♥Woolworth $3½	34⅞	+⅞	$1.88	—	3.5

CANADIANS

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
168p	129p	♥ABM Gold Corp	149p	....	—	—	—
25½p	4½p	♥Abbot Energy Corp	24¼p	−1	—	—	—
16¼	902p	♥Amer. Barrick Res	16⅛	+⅛	—	—	—
19½p	10½p	♥Armeno	16⅝p	+⅛	—	—	—
344p	94p	♥Asiamerica Hldgs	298p	....	—	—	—
33½p	8½p	♥Augmitto Expln	19⅛p	−¼	—	—	—
17¼	12⅞	Bk. Montreal	17¼	....	$2.12	—	6.3
10⅛	655p	Bk. Nova Scot.	941p	+10	92c	—	5.0
22	17	BCE	21⅝	....	$2.44	—	5.8
848p	570p	♥Bow Valley	739p	+2	♦40c	—	2.8
16⅞	12⅛	♥Brascan	15¼	....	88c	—	2.9
228p	144p	♥Breakwater Res.	153p	−6	10c	—	3.4
17¼	11¼	Can. Imp Bank	16⅛	+⅛	$1.24	—	3.9

LONDON SHARE SERVICE

INSURANCES—Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ‡ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ☆☆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ...γ	96	−1
Craig & Rose £1 ...γ	830	.....
Finlay Pkg. 5p ...γ	88	.....
Holt (Jos) 25p ...γ	1325	−18

IRISH

Cap. 8½% Ln. 1991 ...γ	£98½	.....
9pc Cap Ln. 1996 ...γ	£101¼	.....
Fin. 13% 97/02 ...γ	£123¾	+2¼
Arnotts ...γ	412	.....
Carrol (P.J.) ...γ	155	.....
Hall (R. & H.) ...γ	165	.....
Helton Hldgs ...γ	83	.....
Irish Ropes ...γ	210	+4
United Drug ...γ	132	.....

TRADITIONAL OPTIONS
3-month call rates

Industrials	p
Allied-Lyons ...γ	38
Amstrad ...γ	11
BAT ...γ	80
BOC Grp ...γ	42
BSR ...γ	6½
BTR ...γ	32
Barclays ...γ	42
Beecham ...γ	58
Blue Circle ...γ	48
Boots ...γ	25
Bowaters ...γ	44
Brit Aerospace ...γ	52
British Steel ...γ	7½
Brit. Telecom ...γ	21
Burton Ord ...γ	18
Cadburys ...γ	46
Charter Cons ...γ	48
Comm Union ...γ	32
Courtaulds ...γ	38
FKI Babcock ...γ	14
FNFC ...γ	22
Gen Accident ...γ	85
GEC ...γ	20
Glaxo ...γ	110
Grand Met ...γ	48
GUS 'A' ...γ	90
Guardian ...γ	18
GKN ...γ	34
Hanson ...γ	16
Hawker Sidd ...γ	60
ICI ...γ	100
Jaguar ...γ	28
Ladbroke ...γ	28
Legal & Gen ...γ	26
Lex Service ...γ	33
Lloyds Bank ...γ	29
Lucas Inds ...γ	58
Marks & Spencer ...γ	15
Midland Bk ...γ	30
Morgan Grenfell ...γ	24
Nat West Bk ...γ	25
P & O Dfd ...γ	55
Plessey ...γ	22
Polly Peck ...γ	26
Racal Elect ...γ	40
RHM ...γ	42
Rank Org Ord ...γ	88
Reed Intnl ...γ	34
STC ...γ	32
Sears ...γ	10
TI ...γ	38
TSB ...γ	10
Tesco ...γ	14
Thorn EMI ...γ	58
Trust Houses ...γ	24
T&N ...γ	18
Unilever ...γ	46
Vickers ...γ	18
Wellcome ...γ	42

Property	
Brit Land ...γ	32
Land Securities ...γ	52
MEPC ...γ	58
Rundsworth ...γ	28

Oils	
Brit Petroleum ...γ	21
Burmah Oil ...γ	50
Calor ...γ	35
Charterhall ...γ	2½
Premier ...γ	9
Shell ...γ	32
Ultramar ...γ	26

Mines	
Cons Gold ...γ	100
Lonrho ...γ	30
RTZ ...γ	40

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Weak yen takes centre stage

ATTENTION focused on the Japanese yen in currency markets yesterday following the worst electoral defeat for the ruling Liberal Democratic Party for more than 30 years. Traders thought sentiment towards the yen was likely to remain negative because the defeat the LDP suffered, and the subsequent resignation of Mr Sosuke Uno, the Prime Minister, increases the prospect of an election being called this autumn for Japan's lower house.

The yen was particularly weak against the D-Mark, and the latter moved up to Y74.90 from Y74.43 on Friday. It was also weak against the dollar, closing in London at Y143.75 compared with Y141.90 on Friday. Many investors are, however, hesitant about the dollar because of a growing expectation that US interest rates will be allowed to fall further.

The Italian lira continued to improve against the D-Mark; the latter fell to L721.80 around the fixing compared with L722.26 on Friday. There was, however, no sign of any intervention by the Bank of Italy. The success of Mr Giulio Andreotti in forming Italy's 49th post-war coalition government was largely discounted, but it did serve to improve the lira's firm undertone.

In Madrid, the Bank of Spain bought DM35.9m and $105.7m at the fixing in an attempt to reduce upward pressure on the peseta. The Bank bought D-Marks at Pta62.75 compared with Pta62.713 at Friday's fixing. The peseta is already up by 2.5 per cent against the weakest member of the system - the Danish krone - but it is not possible to assess its performance against its fixed European currency unit central rate because until September 20 it has no weighting in the Ecu basket.

A weighting is required in order to calculate a divergence limit and a maximum divergence spread. When the Ecu weightings are revised, the peseta is expected to be set at around 5.3 per cent, and the Portuguese escudo at 0.8 per cent.

The dollar and sterling both traded in desultory fashion. The dollar closed barely changed in London at DM1.9090 against DM1.9065 on Friday. Although talk of lower US interest rates was generally subdued yesterday, traders will be looking for further clues to future action by Federal Reserve, the US central Bank, after the release today of durable goods orders for June and Thursday's release of second quarter Gross Domestic Product figures. Any sign of a rapid cooling in US economic activity is expected to encourage the Fed to ease US interest rates further.

Sterling traded quietly ahead of Wednesday's trade figures for June but was well supported by the current level of short term interest rates in the UK. The consensus expectation for the current account deficit on the balance of payments last month is £1.5bn. On the Bank of England's trade-weighted index, the pound was unchanged from Friday's level at 92.6. Sterling closed against the dollar at $1.6180 from $1.6210 and unchanged against the D-Mark at DM3.0900.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 24	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4398	+2.31	+1.02	±1.5424
Danish Krone	7.85212	8.06121	+2.66	+1.37	±1.6419
German D-Mark	2.05853	2.07447	+0.77	-0.52	±1.1019
French Franc	6.90403	7.03567	+1.91	+0.62	±1.3719
Dutch Guilder	2.31943	2.34018	+0.89	-0.40	±1.5019
Irish Punt	0.768411	0.775720	+0.95	-0.34	±1.6689
Italian Lira	1483.58	1496.69	+0.89	+0.21	±4.0815
Spanish Peseta	130.000	130.170	+0.13	-	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

July 24	Latest	Previous Close
£ Spot	1.6190-1.6200	1.6210-1.6220
1 month	0.72-0.71pm	0.66-0.65pm
3 months	1.95-1.93pm	1.95-1.92pm
12 months	6.90-6.80pm	7.40-7.30pm

Forward premiums and discounts apply to the US dollar

POUND SPOT- FORWARD AGAINST THE POUND

July 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6170 - 1.6220	1.6175 - 1.6185	0.74-0.71cpm	5.06	1.95-1.91pm	4.90
Canada	1.9220 - 1.9295	1.9230 - 1.9240	0.31-0.21cpm	1.62	0.81-0.67pm	1.54
Netherlands	3.47¼ - 3.48¼	3.47¼ - 3.48¼	2¼-2¼cpm	6.96	5¼-5½pm	6.47

FINANCIAL FUTURES

Nervous on pay deals

A SPATE OF over-the-weekend wage settlements running above the rate of UK inflation made investors nervous in yesterday's Liffe market where short sterling futures closed lower. The September contract closed at 86.33, down from 86.36 at the opening at 86.40 at Friday's close.

Dealers said that activity was thin and participants are now awaiting key UK current account and trade data due out tomorrow keeping positions short in the meantime. News of a reshuffle of Mrs Thatcher's Cabinet had already been factored into prices and did not produced any noticeable effect.

US Treasury bonds gained slightly in the quietest trading day since Independence Day on July 4. The dollar's gain and weak commodities prices underpinned the market. The September T-Bond contract closed at 97.08, up form 97.03 at the opening and 97.04 at Friday's close.

Yen 10-year bond futures ended firmer at 105.24, up from 104.99, mostly on relief that the long-awaited resignation of Mr Sousuke Uno, the Japanese Prime Minister is out of the way. Although the ruling LDP lost control of the upper house of Parliament for the first time in 30 years, that development has already been factored into prices for weeks.

West German government bond futures closed firmer on late professional buying.

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
92	3-55	3-62	0-03	0-28
93	2-58	3-14	0-06	0-44
94	2-02	2-34	0-14	1-00
95	1-19	1-60	0-31	1-26
96	0-47	1-29	0-59	1-59
97	0-24	1-03	1-36	2-33
98	0-11	0-47	2-23	3-13

Estimated volume total, Calls 660 Puts 1170

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
92	5-18	5-22	0-02	0-18
94	3-22	3-56	0-06	0-32
96	1-40	1-62	0-24	0-58
98	0-34	0-59	1-18	1-55
100	0-08	1-37	2-56	4-33
102	0-02	0-58	4-50	5-54
104	0-01	0-31	6-49	7-27

Estimated volume total, Calls 0 Puts 0

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9400	1.41	1.70	0.04	0.34
9450	0.97	1.35	0.10	0.49
9500	0.59	1.05	0.22	0.69
9550	0.31	0.79	0.44	0.93
9600	0.14	0.58	0.77	1.22
9650	0.06	0.41	1.19	1.56
9700	0.03	0.28	1.66	1.92

Estimated volume total, Calls 382 Puts 335

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep	0.6105	0.6109	0.6095	0.6088
Dec	0.6132	0.6132	0.6120	0.6112
Mar	0.6145	0.6145	-	0.6130

STANDARD & POORS 500 INDEX $500 times index

	Latest	High	Low	Prev.
Sep	-	-	-	337.95
Dec	-	-	-	341.95
Mar	-	-	-	345.85

BASE LENDING RATES

	%		%		%
ABN Bank	14	Clydesdale Bank	14	NatWestminster	14
Adam & Company	14	Comm.Bk.N.East	14	Northern Bank Ltd	14
AAB - Allied Arab Bk	14	Co-operative Bank	*14	Norwich Gen. Trust	14
Allied Irish Bank	14	Coutts & Co	14	PRIVATbanken Limited	14
● Henry Ansbacher	14	Cyprus Popular Bk	14	Provincial Bank PLC	15
Associates Cap Corp	14	Dunbar Bank PLC	14	R. Raphael & Sons	14
Authority Bank	14	Duncan Lawrie	14	Roxburghe G'rantee	14½
● B & C Merchant Bank	14	Equatorial Bank plc	14	Royal Bk of Scotland	14
Bank of Baroda	14	Exeter Trust Ltd	14½	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	Financial & Gen. Bank	14	● Smith & Williams Secs.	14
Bank Hapoalim	14	First National Bank Plc	15	Standard Chartered	14
Bank Credit & Comm	14	● Robert Fleming & Co.	14	TSB	14
Bank of Cyprus	14	Robert Fraser & Ptnrs.	14½	United Bk of Kuwait	14
Bank of Ireland	14	Girobank	14	United Mizrahi Bank	14
Bank of India	14	● Guinness Mahon	14	Unity Trust Bank Plc	14
Bank of Scotland	14	HFC Bank plc	14	Western Trust	14
Banque Belge Ltd	14	● Hambros Bank	14	Westpac Bank Corp.	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Whiteaway Laidlaw	14
Benchmark Bank PLC	14	● Hill Samuel	§14	Yorkshire Bank	14
Berliner Bank AG	14	C. Hoare & Co.	14		
Brit Bk of Mid East	14	Hongkong & Shangh	14		
● Brown Shipley	14	● Leopold Joseph & Sons	14		
Business Mtge Tst	14½	Lloyds Bank	14		
CL Bank Nederland	14	Meghraj Bank Ltd	14		
Central Capital	14	McDonnell Douglas Bnk	14		
● Charterhouse Bank	14	Midland Bank	14		
Citibank NA	14	Mount Banking	14		
City Merchants Bank	14	Nat Bk. of Kuwait	14		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Savewise 8.5%. Top Tier-£10,000+ instant access 12.8% ‡ Mortgage base rate. § Demand deposit 9%. Mortgage 13.25% - 15%

EUROPEAN OPTIONS EXCHANGE

Series		Aug. 89 Vol	Aug. 89 Last	Nov. 89 Vol	Nov. 89 Last	Feb. 90 Vol	Feb. 90 Last	Stock
Gold C	$400	-	-	42	5	-	-	$371.70
Gold C	$440	-	-	60	1	-	-	$371.70

MONEY MARKETS

Rates edge higher

LONGER-TERM UK interest rates edged higher yesterday amid nervousness about tomorrow's current account figures for June. Dealers said interest rates drifted up during the afternoon in spite of a firm tone for sterling. They said an early cut in base rates was thought unlikely even if the trade deficit showed an improvement.

The gains reversed modest falls at the end of last week but activity was very quiet with little action expected before the figures are released. One-year interbank money rose to 13⅞-13 7/16 from 13¾-13⅝ on Friday. Three-month interbank money was unchanged at 14-13⅞.

UK clearing bank base lending rate 14 per cent from May 24

The Bank of England forecast a shortage of about £600m. Factors affecting the market included bills maturing in official hands and a take-up of Treasury bills, together with repayment of any late assistance draining £766m. Exchequer transactions accounted for a further £300m while banks brought forward balances a nominal £10m below target. These were partly offset by a fall in the note circulation of £480m.

The Bank gave assistance in the morning of £58m through outright purchases of eligible bank bills in band 1 at 13¾ per cent. The forecast was revised to a shortage of about £550m, and the Bank gave additional assistance of £418m through outright purchases of £5m of local authority bills and £339m of eligible bank bills in band 1 and £74m of bank bills in band 2, all at 13¾ per cent.

In **Frankfurt**, call money slipped to 6.85-6.95 per cent from 6.90-7.00 per cent on news of a smaller than expected minimum reserve requirement for commercial banks in July. The provisional requirement of DM55.7bn was almost DM1bn below expectations. Average holdings for the first 20 days of this month were DM57.1bn. The next factor likely to influence market liquidity is today's announcement on the Bundesbank's next sale and repurchase agreement. Most traders expect the authorities to match the DM6.8bn being drained from the market tomorrow when a previous facility matures.

In **Paris**, the Bank of France left its money market intervention rate unchanged at 8.75 per cent when adding liquidity to the money market. The Bank accepted bids on FFr72.6bn of first category paper, whish was less than the FFr76bn leaving the market as a previous facility expired. Successful applications amounted to 38 per cent of total bids, the agreement expires on August 10.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 24) 3 months US dollars: bid 8⅝ offer 9

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MANAGEMENT COURSES

PLANT & MACHINERY

COMPANY NOTICES

The RTZ Corporation PLC

Notice to Holders of Ordinary Share Warrants to Bearer

Notice was given on 16 June 1989 of a one for seven rights issue of New Ordinary Shares at 435p per share to holders of Ordinary Shares on the register at the close of business on 30 May 1989 and to holders of Ordinary Share Warrants to Bearer.

New Ordinary Shares attributable to Ordinary Share Warrants to Bearer in respect of which a Provisional Allotment letter was not issued have been sold in the market. The net proceeds of sale (after deducting the offer price and expenses of sale) are 54p for every seven Ordinary Shares held in bearer form. Such net proceeds are being held for payment against lodgement of Coupon No. 60 at the addresses shown below.

1 The Registered Office of The RTZ Corporation PLC: 6 St. James's Square London SW1Y 4LD

2 The Transfer Office of The RTZ Corporation PLC: Central Registration Limited 1 Redcliff Street, Bristol BS1 6NT

3 Banque Bruxelles Lambert S.A. 24 Avenue Marnix 1050 Brussels Belgium

4 L'Européenne de Banque 21 Rue Laffitte 75428 Paris France

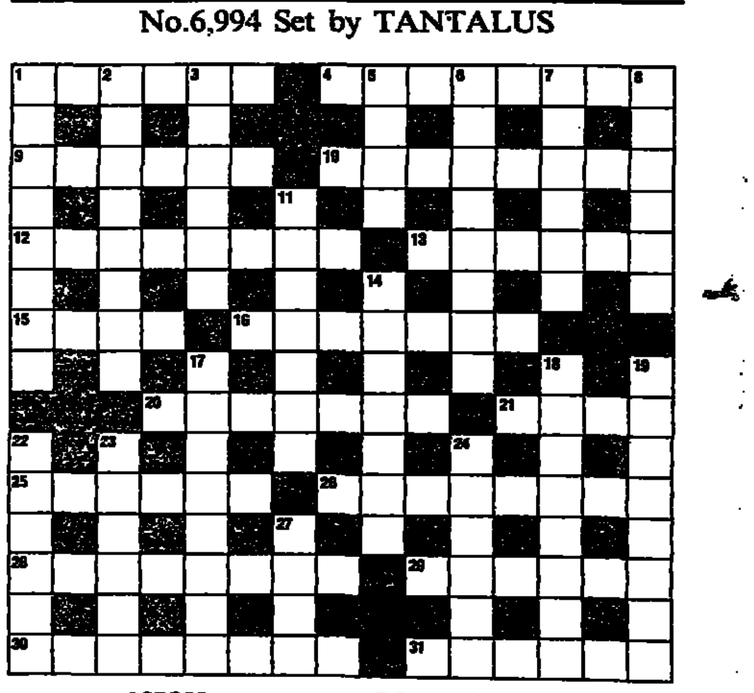
6 St. James's Square London SW1Y 4LD
25 July 1989

F. S. WIGLEY *Secretary*

JOTTER PAD

CROSSWORD

No.6,994 Set by TANTALUS



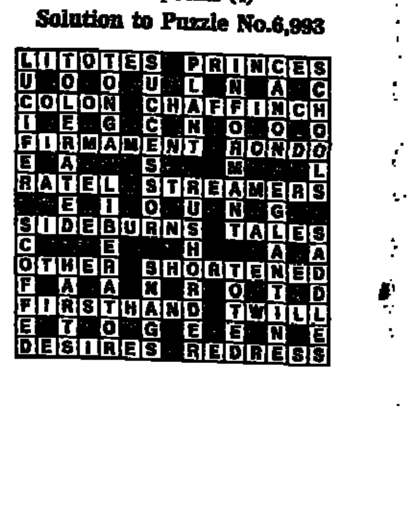
ACROSS

1 and 4 New director left tea unfinished to read bank document (6,2,6)
9 I love cultivating the earliest flower (6)
10 Father makes a truce – there will be a break! (8)
12 Auditor may be silent in front of Queen (8)
13 Go after this exam at Cambridge (6)
15 Is unable to sell by auction (4)
16 Prepared to join a union? (7)
19 She makes an example of one (7)
21 Go different ways and find component (4)
25 Detailed partner to come back for catch (6)
26 Plant seen in bull ring (8)
28 Few join group meeting important person (8)
29 Stop in order to look at engine part (6)
30 Unlimited broth (6)
31 Was frightened of iron going to a revolutionary (8)

DOWN

1 Be fond of fastening hair (8)
2 The first of many (8)
3 One's team? (6)
5 Stable commercial enterprise (4)
6 Are his goods always hot? (8)
7 Is sceptical of questions (6)
8 He's met different subjects (6)
11 Writer and worker go round pole and discover flag (7)
14 State university settled for peace-pipe (7)
17 Before leisurely walk, make an introduction (8)
18 Am I able to disturb rest to view the box? (8)
19 It could be nastier with daughter being tense (8)
22 Understanding cause (6)
23 Boy takes me in to see part of 9 (6)
24 European accepts it would be courteous (6)
27 Some good, especially romantic poems (4)

Solution to Puzzle No.6,993



WORLD STOCK MARKETS

AUSTRIA — BELGIUM/LUXEMBOURG — DENMARK — FINLAND — FRANCE — FRANCE (continued) — GERMANY — GERMANY (continued) — ITALY — ITALY (continued) — NETHERLANDS — NORWAY — SPAIN — SWEDEN — SWITZERLAND — SOUTH AFRICA — JAPAN — AUSTRALIA — AUSTRALIA (continued) — HONG KONG — SINGAPORE

CANADA

TORONTO

2pm prices July 24

‡—No voting rights or restricted voting rights.

INDICES

NEW YORK DOW JONES

	July 21	July 20	July 19	July 18	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2607.36	2575.49	2584.41	2544.76	2607.36 (21/7)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	92.93	92.92	92.85	92.84	93.02 (14/7)	87.35 (23/3)	–	–
Transport	1231.40	1232.37	1233.34	1232.05	1232.37 (20/7)	959.95 (3/1)	1232.37 (20/7/89)	12.32 (8/7/32)
Utilities	217.05	216.55	217.68	215.61	217.68 (19/7)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2613.81 (2616.46) Low 2558.23 (2566.58)

STANDARD AND POOR'S	July 21	July 20	July 19	July 18	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite‡	335.90	333.51	335.73	331.35	335.90 (21/7)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	385.31	381.96	384.22	378.73	385.31 (21/7)	318.66 (3/11)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	31.81	31.72	31.85	31.53	31.85 (19/7)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	187.15	186.11	187.10	184.91	187.15 (21/7)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	371.28	371.19	372.40	370.17	372.40 (19/7)	305.24 (3/1)	367.64 (17/7/89)	29.31 (9/12/72)
NASDAQ OTC Comp	449.29	449.24	451.23	447.86	453.65 (9/6)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	July 14	July 7	Jun 30	year ago (approx.)
Dow Industrial Div. Yield	3.54	3.63	3.70	3.54

	July 19	July 12	July 5	year ago (approx.)
S & P Industrial div. yield	2.92	2.98	3.06	3.12
S & P Indl. P/E ratio	14.10	13.81	13.47	14.10

TRADING ACTIVITY †Volume Millions

	July 21	July 20	July 19
New York	176.829	207.222	213.062
Amex	14.279	14.365	12.157
OTC	144.762	166.617	159.875

NEW YORK	July 21	July 20	July 19
Issues Traded	1944	1,983	1,988
Rises	718	641	1,065
Falls	697	861	440
Unchanged	529	481	483
New Highs	82	208	193
New Lows	26	23	15

CANADA

TORONTO	July 21	July 20	July 19	July 18	1989 High	1989 Low
Metals & Minerals	3327.6	3309.6	3308.8	3289.1	3564.9 (6/2)	3207.5 (3/1)
Composite	3901.4	3886.2	3872.7	3853.4	3886.2 (20/7)	3350.5 (6/1)
MONTREAL Portfolio	1974.76	1964.96	1959.90	1945.71	1974.76 (21/7)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Marion Labs	3,661,600	35¼	+ ⅝
Am T & T	2,722,900	37⅜	+ ¼
Am Medical Intl	2,487,200	25¼	− ⅜
Exxon	2,292,400	46⅛	+ 1
Gen Electric	2,183,600	56⅞	+ 1⅛
SmithKline Beck	1,879,200	60¼	+ ⅛
Warner Comms	1,810,400	65⅛	− ⅛
IBM	1,654,300	114⅛	+ 1⅛
USX Corp	1,603,700	35¼	− ⅜
Eastman Kodak	1,483,000	48⅞	

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	July 24	July 21	July 20	July 19	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1607.6	1603.0	1596.4	1571.2	1607.6 (24/7)	1412.9 (7/4)
All Mining (1/1/80)	748.8	744.7	739.8	722.1	748.8 (24/7)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	351.28	346.56	344.85	345.48	366.67 (21/6)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6068.87	(c)	6060.12	6044.15	6158.43 (13/6)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	346.09	349.88	349.78	348.11	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	778.2	779.0	778.4	777.9	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	496.7	491.8	491.8	488.4	496.7 (24/7)	417.9 (4/1)
Ind. Tendance (30/12/88)	118.1	117.2	116.8	116.0	118.1 (24/7)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	638.40	638.88	635.11	631.70	638.88 (21/7)	535.78 (27/2)
Commerzbank (1/12/53)	1906.6	1906.7	1894.6	1882.7	1906.7 (21/7)	1595.7 (27/2)
DAX (30/12/87)	1543.30	1555.40	1550.82	1540.40	1555.40 (21/7)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2482.54	2495.74	2543.08	2547.10	3309.64 (15/5)	2093.61 (5/6)
ITALY						
Banca Com. Ital. (1972)	666.17	677.08	682.02	679.64	683.39 (17/7)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	34093.39	33899.43	33664.87	33557.1	34266.75 (31/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2546.61	2533.06	2509.41	2499.71	2546.61 (24/7)	2366.91 (6/1)
NETHERLANDS						
CBS Tll. Rtn. Gen. (End 1983)	255.4	256.6	256.3	254.8	256.6 (21/7)	208.3 (3/1)
CBS All Shr (End 1983)	198.8	199.7	199.5	198.3	199.7 (21/7)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	662.36	662.95	664.42	662.48	668.90 (14/7)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1358.90	1361.91	1365.39	1369.02	1369.02 (19/7)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1574.0§	1597.0	1596.0	1618.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2676.0§	2680.0	2680.0	2680.0	2680.0 (21/7)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	302.83	302.59	302.50	301.38	315.90 (13/6)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4393.6	4386.2	4387.5	4372.1	4393.6 (24/7)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	766.6	763.9	762.1	762.7	766.6 (24/7)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	525.1	520.9	520.6	525.1 (21/7)	487.6 (13/6)

§ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday July 24 1989

3pm prices July 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
33¼	27⅛	AAR	.44	1.3	21	52	33⅛	32¾	32⅞	– ⅛
10⅛	8⅞	ACM n	1.01	11.		51	9⅜	9¼	9⅜	
11¾	10¼	ACMIn	1.26a	11.		311	11⅜	11¼	11⅜	
10⅛	8½	ACM M	n1.01	11.		250	9¼	9	9	– ⅛
11½	10	ACM Sc	1.26	11.		x559	11¼	11⅛	11⅛	
9½	8⅞	ACMSp	1.01	11.		208	9¼	9⅛	9¼	
17¼	10⅞	AL Lab	.12	.7	18	59	16⅞	16½	16¾	
4⅛	3⅛	AMCA	.12e	3.3	24	82	3¾	3½	3⅝	
6⅛	4½	AM Intl				573	5½	5⅜	5½	
23½	20⅝	AM In pf	2	9.0		119	22¼	21⅞	22⅛	+ ¼
67½	40⅞	AMR			7	3331	66¼	65	66⅛	+ ½
27	25	ANR pf	2.67	10.		9	26	26	26	+ ¼
6⅝	3⅞	ARX				89	4⅝	4¼	4⅜	+ ⅛
43½	35¼	ASA	3a	7.1		96	42⅞	42⅛	42¼	
22⅝	15¼	AVX	.24	1.2	9	76	19⅞	19¾	19⅞	– ⅛
63⅝	43½	AbtLab	1.40	2.3	17	2143	62⅛	61½	62	– ⅞
16¼	14	AbitibI g	1			136	14½	14⅜	14⅜	
13	7½	AcmeC	.40	3.4		104	11⅞	11⅝	11⅞	
8⅞	5⅞	AcmeE	.32	3.8	19	8	8¼	8⅛	8⅛	
34¾	20¼	Acusn			25	181	32¼	31⅞	32⅛	+ ⅛
16⅞	14¼	AdaEx	1.83e	11.		163	16	15⅞	15⅞	– ⅛
13⅞	7⅛	AMD				2808	8⅞	8¾	8⅞	– ⅛
39¼	28¾	AMD pf	3	9.4		2	31⅞	31⅞	31⅞	
11⅞	6½	Adobe				206	10⅝	10½	10⅝	+ ⅛
19⅞	16½	Adob pf	1.84	9.9		6	18½	18½	18½	– ⅛
21⅝	19⅞	Adob pf	2.40	11.		99	21⅜	21⅛	21⅛	– ¼
9¾	6⅛	Advest	.12	1.5	14	43	8	7⅞	8	
58⅞	43½	AetnLf	2.76	4.8	9	x1145	57⅞	57	57⅛	+ ⅛
14	12⅞	AflPb				1227	13⅛	12⅞	12⅞	– ¼
23⅛	14⅞	Ahmans	.88	4.0	11	5811	22⅛	21⅞	21⅞	– ¼
48¾	37¼	AirPrd	1.32	3.0	11	1195	43⅞	43⅝	43¾	
29⅞	15½	AirbFrt	.60	2.0	28	324	u30¾	29⅞	30⅛	+ ⅝
24½	13⅛	Airgas			14	172	23¾	23¼	23¾	+ ½
20⅞	17⅞	Airlease	2.40	12.	9	29	19⅞	19¾	19¾	– ⅛

Continued on Page 37

هكذا من الاصل

NYSE COMPOSITE PRICES

Continued from previous Page

[illegible]

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices July 24

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 3pm prices July 24

[illegible]

FINANCIAL TIMES
Tuesday July 25 1989

AMERICA

Dow trims initial heavy losses in quiet trading

Wall Street

A SHARP reaction to last Friday's rally pulled stocks lower as trading started yesterday but equities then managed to recover some of their early losses, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was quoted 12.71 points lower at 2,594.65 on low volume of 83m shares.

At one stage, the Dow had fallen by more than 20 points, mostly in a reaction to Friday's 31.87 point rally. The rally was heavily related to the expiration of July stock index futures and options, which led to substantial buying of some blue chip issues.

The surge in the Dow in the latter stages of last week was in contrast to the broader market which was much flatter because of the distortions of programme trading and futures and options expirations.

Mr Newton Zinder, technical strategist at Shearson Lehman Hutton, believes that the behaviour of the Dow – even without these distortions – suggests that the current rally is in its late phase and that caution is now needed.

He pointed to a number of statistics showing that the rally has narrowed. For example, the Dow was up by about twice as much as the New York Stock Exchange and S&P Composites and up more than five times the Value Line Composite index. Although the Dow gained 52 points last week, advancing issues outstripped declining stocks by only 1,050 to 823.

Secondary stocks were broadly lower with the Nasdaq Composite Index quoted 2.02 points lower at midsession at 447.27 and the American Stock Exchange Index down 1.24 point at 370.04 after a string of all-time highs last week.

The background for stocks is not now as propitious as it has been in recent weeks, mainly because perceptions of future monetary policy have changed. The substantial rally in both stocks and bonds had been based largely on hopes of an easing in monetary policy as the economy decelerated.

However, the Humphrey Hawkins testimony by Mr Alan Greenspan, Fed chairman, before Congress suggested strongly that the move towards lower interest rates will be extremely cautious and gradual. There has been no hint of any shift from a 9¾ per cent Fed Funds target and no money centre banks have followed Chase Manhattan and Southwest Bank of Missouri in cutting their prime lending rates.

The bond market fell last week as this view took hold in the market. At midsession yesterday, bonds were mixed with some short-dated maturities falling by as much as ⅛ point, but the Treasury's benchmark long bond up ⅜ point for a yield of 8.14 per cent. This price movement confirms the concern that it may be some time before the Fed moves its Fed Funds target down any further.

Among featured stocks was Honeywell, which jumped $3⅞ to $89¼ on news of a major restructuring involving the repurchase of around 23 per cent of its common shares, the sale of most of its 50 per cent stake in Yamatake-Honeywell, a 25 per cent increase in its annual dividend and a reduction in its reliance on the weapons business.

Elsewhere, corporate earnings announcements and forecasts dominated. Eastman Kodak fell $1⅛ to $48 after the company said that restructuring charges would reduce its second quarter net income by about $225m or 70 cents a share.

McDonalds dropped $1⅝ to $29⅞ after an unfavourable assessment of its second quarter earnings. Union Carbide fell $⅛ to $27 on disappointing earnings and Exxon, which faces a bill of $850m for the Valdez oil spill, lost $1⅛ to $45⅝.

Airborne Freight added $⅝ to $30⅛ after the company said it expected to report substantially higher earnings in the second quarter compared with a year ago.

Canada

PRICES slid in midsession trade in Toronto, retreating from Friday's post crash highs.

ASIA PACIFIC

Bargain-hunters emerge after LDP election defeat

Tokyo

THE Tokyo market held firm yesterday in spite of the ruling Liberal Democratic Party's crushing setback in Sunday's national election and the Nikkei average even recovered the 34,000 level in thin trading, *writes Yuriko Mita in Tokyo.*

Share prices opened firmer following the LDP's defeat in the election to the Upper House of the Diet (Parliament) as many investors took the view that the market had already discounted the news.

Stocks then began to oscillate amid reports that Mr Sousuke Uno, the Prime Minister, would resign. In the afternoon, bargain-hunting and higher bond and futures prices lifted shares again and the Nikkei rose above 34,000 for the first time since May 31. It finally closed 193.90 points higher at 34,093.33, just below its session high of 34,095.19. The day's low was 33,866.69.

Advances led declines by 521 to 345 with 195 issues unchanged. Volume was higher than Friday's 536m shares at 615m.

The Topix index of all listed shares gained 13.55 to its highest level this year of 2,546.61. In London trading, the ISE/Nikkei 50 index rose 2.59 to 2,042.46.

The view that the market had taken a big LDP loss into account was one of the factors that convinced investment trusts to come back into the market, a move that supported the morning surge in Tokyo.

The upward momentum was halted by the resignation reports, which led investors to sell in small lots. But individuals were also picking up a broad range of stocks that were expected to rise on increased domestic demand, such as housing issues.

Daiwa House, Japan's second largest housebuilder, was the most active issue, closing at a year's high of Y2,470, up Y180, as 32.64m shares changed hands. Sekisui House, the largest housebuilder, was the second most active stock with 21.05m shares and closed at Y2,270, up Y160. Analysts said housing issues were popular due to the belief that housing policy would not be affected by the current political instability.

Institutional investors, who are under pressure to improve performance levels as the September closing of their books for the half-year approaches, are keen to see the rally that has been anticipated after the elections. But they are also wary of plunging into the market, as yesterday's still low volume showed.

In Osaka, the OSE average picked up 182.47 to 33,224.66. Volume moved higher with 51m shares changing hands, up from Friday's 46m.

Roundup

PRICE movements were generally narrow in Asia Pacific markets, with Australia edging higher against a broadly weaker trend.

AUSTRALIA was a little cautious before the June quarter inflation statistics tomorrow. Shares were mostly little changed in quiet trade, but selective buying in leading issues added another 4.6 points to the All Ordinaries index at 1,607.6 – its sixth advance in a row and another year's high.

However, BHP, Australia's biggest listed company, rose to another high for the year, adding 12 cents to A$9.66, and the gold index gained 0.9 per cent, making a gain of 5.4 per cent in the last five trading days. Dealers said that this was on the belief that the Australian dollar may fall further.

NEW ZEALAND lost earlier gains as brokers squared their books before Thursday's national budget. The Barclays index ended 1.19 points lower at 1,937.69.

Brierley Investments remained the chief attraction in the market following the sale of its Australian unit, Industrial Equity, adding 2 cents to NZ$1.85 and topping turnover with 3.6m shares changing hands.

While the budget is expected to bring good news for the broking industry in the form of compulsory private pension-fund investment, Mr David Lange, the Prime Minister, has also been talking about a "traditional Labour" Party budget with the most radical reforms to social welfare since 1938.

HONG KONG slipped again, and the Hang Seng index closed 13.2 points lower at 2,482.54, after a 35-point decline in the morning and a drop of 47.34 points last Friday.

A total of HK$823m was traded during the day compared with Friday's HK$943m. Investors were cautious after a sharp rebound and worried that the slowdown of the US economy could affect the colony's buoyant export business.

SINGAPORE took early strength from Friday's impressive session on Wall Street and gains in Tokyo yesterday, but scattered profit-taking in thin conditions soon overwhelmed the attempt to continue the upward advance. The Straits Times Industrial index weakened again, falling 3.01 to 1,358.90.

TAIWAN ended weaker as the market failed to sustain early attempts at a recovery.

Ireland shares the honours with Australia

MARKETS IN PERSPECTIVE

	% change in local currency †				% change in sterling †
	1 Week	4 Weeks	1 Year	Start of 1989	Start of 1989
Austria	+0.15	−1.26	+48.56	+38.52	+44.42
Belgium	−0.09	−0.78	+17.03	+3.97	+8.48
Denmark	−1.70	+4.81	+73.47	+33.59	+38.53
Finland	−0.78	−1.95	+4.49	+10.64	+20.88
France	+1.13	+1.26	+41.28	+16.63	+22.01
West Germany	+1.61	+3.39	+31.25	+16.17	+20.64
Ireland	+3.64	+7.60	+7.49	+20.47	+25.38
Italy	−0.72	+5.00	+27.35	+12.32	+18.89
Netherlands	+1.58	+2.04	+23.52	+19.96	+24.70
Norway	−2.15	+1.32	+59.47	+44.62	+52.41
Spain	−0.28	−2.01	+0.08	+7.37	+13.71
Sweden	+0.86	+5.51	+54.01	+30.46	+37.62
Switzerland	+1.59	+4.51	+15.95	+20.07	+22.35
UK	+0.54	+4.92	+22.45	+26.19	+26.19
EUROPE	+0.71	+3.52	+25.35	+20.52	+23.33
Australia	+3.44	+6.92	−0.59	+8.94	+6.60
Hong Kong	−0.77	+9.91	−4.33	−7.41	+3.34
Japan	+1.18	+1.89	+19.54	+6.83	+5.01
Malaysia	−1.15	+4.33	+24.98	+29.57	+46.18
New Zealand	−0.26	−0.15	−3.29	+7.77	+9.86
Singapore	−1.66	+4.96	+21.49	+33.96	+48.54
Canada	+1.10	+3.49	+15.46	+18.24	+30.32
USA	+1.14	+2.69	+27.11	+23.26	+34.78
Mexico	−0.10	+0.93	+78.26	+79.58	+80.13
South Africa	+1.71	+0.43	+40.77	+35.80	+39.16
WORLD INDEX	+1.07	+2.62	+22.70	+14.13	+18.25

† Based on Friday 21st, 1989

By Jacqueline Moore

OPPOSITE sides of the globe provided the two best stock market performances last week. Ireland and Australia both surged ahead, rising more than 3 per cent in local currency terms, according to the FT-Actuaries World Indices.

Ireland's advance of 3.6 per cent, together with its 3.5 per cent rise the previous week, was part of a catching-up process after a slight retreat in the past couple of months. The market had risen rapidly to the end of April, before slipping back in the early summer. Its strength in the last two weeks, however, has pushed it back to previous levels, and the market has now risen 20.5 per cent so far this year, compared with 11.8 per cent to the end of June.

One analyst attributed Ireland's good showing in the last fortnight to a stock shortage, particularly in second-line issues, as well as to a bullish report on the economy published by the Economic and Social Research Institute at the beginning of July.

Other observers say sentiment has improved since the announcement of encouraging company forecasts for 1990. The bid for BAT Industries of the UK has also helped to focus investors' attention on potential Irish takeover targets, providing another boost for equities.

Australia's stock market rise of 3.4 per cent came in the same week as news of a large balance of payments deficit last month and a record deficit for the year to June. The announcement sent the Australian dollar lower, which in turn boosted currency-sensitive shares, such as gold and other mining stocks.

Elsewhere in the Asia Pacific region, Japan was fairly strong, gaining 1.2 per cent in spite of well-founded expectations of a ruling party defeat in the upper house elections last weekend. Bargain-hunters and index-linked investment trusts were the principal buyers. Other markets, however, went into decline, with profit-taking *sending Singapore and Malaysia* significantly lower after recent gains.

The larger European bourses had a good week, with West *Germany*, the world's fourth best performer, adding 1.6 per cent as optimism grew about the domestic economy. Switzerland, the Netherlands and France were also up by more than 1 per cent each.

The Continent also provided the two steepest falls, however, with Norway declining by 2.2 per cent and Denmark by 1.7 per cent after both had risen sharply the previous week. Norway remains the world's second best performer this year, after Mexico.

Europe and Asia were both affected to some extent by events in the US, including the testimony to Congress of Fed chairman Mr Alan Greenspan, the May trade deficit figures and the consumer prices index for last month. The US itself finished the week a healthy 1.4 per cent higher, in spite of intermittent bouts of profit-taking. Canada, encouraged by its large neighbour's example, advanced 1.1 per cent.

The overall World index moved 1.1 per cent higher, taking its improvement this year to 14 per cent.

EUROPE

Conflicting influences leave bourses mixed

PROFIT-TAKING vied with Wall Street-inspired gains to leave bourses with no clear trend yesterday, *writes Our Markets Staff.*

PARIS began the day well following Wall Street's advance on Friday but finished mixed.

The dominant feature was the sharp fall in heavily traded Eurotunnel shares, which plunged FFr11.90, or 11.6 per cent, to FFr91 following last week's news that the Anglo-French group needs additional financing because of rising costs.

Eurotunnel topped the actives list with 3.4m shares traded, slightly less than Friday's 3.6m when the stock lost FFr4.20, but well up on the usual 1m. This pushed up volume overall to some FFr2.5bn, fairly high for the first day of trading for the August account.

One dealer said there had been a rumour that Sir James Goldsmith might sell his Eurotunnel shares to help finance his bid for BAT Industries and that this had added to downward pressure on the stock, particularly in London.

Peugeot was unchanged at FFr916 after trading heavily following its share split. Peugeot also began trading on the continuous market yesterday, together with Accor, Elf Aquitaine, Air Liquide, Lafarge, Paribas and Thomson CSF.

Drouot Assurances saw very active volume of 72,000 shares and rose FFr24.80 to FFr464.

The OMF 50 index was 1.06 easier at 502.61 but the CAC 40 index added 3.83 to 1,785.48. The CAC General, based on opening prices, rose 4.9 to 496.7, a new all-time high.

FRANKFURT declined after last week's run of three new highs for 1989, as follow-through buying failed to materialise at higher levels and some profit-taking set in. The DAX index lost 12.10 to 1,543.30 and the FAZ index eased 0.48 to 638.40. Turnover was fairly active at DM5.1bn.

One salesman said there had been no serious, institutional selling. "The market is a technically sound one that wants to go higher," he explained. Blue chips did pick up in the pre-bourse and in early trading after Wall Street's rise on Friday, but gains did not last.

Allianz, West Germany's leading insurer, slipped DM20 to DM2,155. It announced improved annual profits up 30 per cent – in line with expec*tations – and predicted a better* 1989.

Speculation continued to buzz around Deutsche Bank, which led the market upwards in the pre-bourse and downwards during the official session. There seemed to be no new stories yesterday; "it was a rehash of everything that has gone before," said the salesman. Among other rumours, the bank is said to be planning a warrant issue and to be selling its stake in retailer Karstadt. Deutsche Bank eased DM2 to DM658, after opening at DM669.50.

Investors in car shares took profits, leaving Daimler off DM3 at DM748 and VW down DM3.50 at DM435.

ZURICH built on its recent gains, with blue chips in demand, having been a relatively poor performer until mid-year. The Crédit Suisse general index rose 2.5 to 634.6.

One dealer said international investors were retrenching from more speculative areas, like the Far East, into hard currency markets such as West *Germany and Switzerland.*

Banks had a good day. Union Bank rose SFr85 to SFr3,880 while CS Holding, the holding company for Crédit Suisse, finished SFr45 better at SFr2,620. After the market closed, Crédit Suisse said its results for the first half of 1989 were significantly higher than those of a year earlier, and forecast higher profits for 1989 as a whole.

MILAN, in contrast, ended lower in thin volume. Fears that the new Andreotti Government may consider a capital gains tax on bourse transactions were one reason for the decline.

However, a dealer said the market had subsided on profit-taking, "right across the board." The selling, he said, reflected the fact that the market had enjoyed a strong bull run since it was pulled up by the Fiat buy-back programme early in June.

AMSTERDAM had a very quiet day after last week's strength, with Wall Street's early losses and Gist Brocades' decision to pull out of its planned takeover of ACF Holding dampening sentiment. The CBS tendency index lost 0.7 to 190.7 in low volume worth Fl 555m.

Gist and ACF were both suspended for the news. Gist was expected to trade higher today on short-covering and speculation that it might itself be a takeover target again following the resignation of its chairman.

Fokker gained 30 cents to Fl 47 on news of a contract worth Fl 100m for a share in the European production of General Dynamics' Stinger programme.

MADRID traded marginally higher in a day of quiet volume worth about $70m. The general index added 0.13 to 302.83, with utilities performing best, possibly boosted by a slight fall in interbank rates.

One analyst said it was felt the market could be supported by leading domestic institutions as Spain goes through its "Big Bang" reforms, starting at the end of the month. The strength of the US market on Friday also helped sentiment.

BRUSSELS closed mixed in generally quiet trading. The cash market index ended 8.75 up on Thursday's close at 6,068.87.

Sugar refiner Raffinerie Tirlemontoise again featured, rising BFr100 to BFr2,440 as a very heavy 80,000 shares changed hands.

STOCKHOLM recovered from early losses to close at a record high, although volume was low with few deals concluded. The Affärsvärlden General index closed at 1,282.0, up 2.1, on turnover of SKr164m.

Ericsson was in strong demand and the free B shares rose SKr9 to SKr596.

OSLO barely moved in thin trading as investors awaited first half corporate results.

SOUTH AFRICA

DOMESTIC money supply and inflation data left gold shares quietly easier in Johannesburg; but industrials held steady around recent highs.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY JULY 21 1989						THURSDAY JULY 20 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (86)	138.02	+0.8	126.23	122.64	+0.5	4.87	137.20	125.03	122.06	157.12	128.28	150.71
Austria (19)	124.17	+0.6	113.56	122.77	+0.5	1.96	123.38	112.43	122.13	127.70	92.84	87.05
Belgium (63)	131.33	+0.1	120.11	129.38	+0.0	4.23	131.16	119.52	129.38	137.10	125.58	115.99
Canada (124)	146.60	+0.3	134.09	126.12	+0.3	3.19	146.20	133.23	125.72	146.60	124.67	126.91
Denmark (36)	211.52	+0.5	193.45	212.38	+0.2	1.48	210.41	191.73	212.05	219.89	165.35	129.21
Finland (26)	141.52	+1.3	129.44	126.50	+0.7	2.15	139.75	127.35	125.66	159.16	125.81	132.84
France (127)	125.77	+0.1	115.03	127.49	+0.3	2.97	125.65	114.49	127.07	125.95	112.57	93.35
West Germany (100)	95.08	+0.3	86.96	94.24	+0.6	2.16	94.80	86.39	93.67	95.32	79.56	75.59
Hong Kong (49)	103.53	−2.1	94.69	103.77	−2.1	5.16	105.72	96.34	105.96	140.33	86.41	106.20
Ireland (17)	148.05	+0.1	135.41	148.69	+0.4	2.82	147.88	134.76	148.15	151.36	125.00	144.16
Italy (97)	90.69	−1.0	82.95	93.26	−0.9	2.40	91.64	83.51	94.10	92.08	74.97	72.58
Japan (455)	180.20	+0.7	164.82	161.64	+1.1	0.49	178.87	163.00	159.88	200.11	164.22	163.74
Malaysia (36)	187.97	−1.0	171.92	193.98	−1.1	2.47	189.97	173.11	196.18	190.26	143.35	152.78
Mexico (13)	261.22	−0.8	238.91	726.85	+0.3	0.69	263.38	240.01	724.67	277.40	153.32	163.10
Netherland (43)	125.60	−0.2	114.87	123.25	+0.1	4.20	125.86	114.69	123.16	125.86	110.63	106.07
New Zealand (21)	66.54	+0.8	60.86	61.41	+0.2	6.06	66.04	60.17	61.28	76.02	62.64	79.90
Norway (25)	189.73	+0.0	173.53	179.04	−0.4	1.44	189.68	172.85	179.77	198.39	139.92	124.39
Singapore (26)	166.51	−0.9	152.30	150.13	−1.1	1.89	168.03	153.11	151.77	169.33	124.57	131.76
South Africa (60)	145.71	−0.6	133.26	133.41	+0.1	4.04	146.61	133.60	133.25	153.27	115.35	124.64
Spain (43)	151.19	−0.2	138.28	136.76	−0.2	3.76	151.57	138.12	136.99	156.17	143.14	148.89
Sweden (35)	178.32	+0.1	163.09	171.06	−0.1	2.01	178.19	162.38	171.20	178.32	138.45	119.24
Switzerland (63)	85.60	+0.0	78.29	87.33	+0.3	2.20	85.57	77.97	87.05	86.05	67.81	80.04
United Kingdom (311)	*153.02*	*−0.7*	*139.95*	*139.95*	*−0.3*	4.19	*154.10*	140.43	140.43	154.10	133.28	134.17
USA (555)	136.69	+0.6	125.02	136.69	+0.6	3.29	135.88	123.82	135.88	136.69	112.13	107.54
Europe (1005)	126.75	−0.3	115.93	121.16	−0.1	3.40	127.17	115.89	121.24	127.17	112.63	106.68
Nordic (122)	171.82	+0.3	157.15	160.81	+0.0	1.76	171.28	156.08	160.78	174.42	137.95	115.17
Pacific Basin (673)	175.71	+0.7	160.70	157.95	+1.0	0.72	174.51	159.02	156.37	194.72	160.44	161.02
Euro – Pacific (1678)	156.24	+0.3	142.90	143.17	+0.7	1.61	155.71	141.89	142.24	164.22	141.56	139.30
North America (679)	137.18	+0.6	125.47	136.04	+0.6	3.29	136.40	124.29	135.26	137.18	112.79	108.52
Europe Ex. UK (694)	110.23	+0.0	100.82	109.57	+0.1	2.79	110.28	100.49	109.41	110.42	96.30	89.63
Pacific Ex. Japan (218)	121.81	−0.3	111.41	111.91	−0.5	4.68	122.23	111.38	112.43	137.65	111.93	128.25
World Ex. US (1875)	155.87	+0.3	142.56	142.73	+0.6	1.68	155.35	141.56	141.82	162.77	141.49	138.72
World Ex. UK (2119)	147.50	+0.5	134.91	140.72	+0.7	2.01	146.71	133.69	139.71	147.50	136.98	125.93
World Ex. So. Af. (2370)	148.00	+0.4	135.36	140.68	+0.8	2.20	147.37	134.29	139.80	148.00	136.67	126.66
World Ex. Japan (1975)	132.85	+0.2	121.51	129.98	+0.3	3.39	132.59	120.82	129.60	132.85	114.51	108.87
The World Index (2430)	147.98	+0.4	135.34	140.63	+0.6	2.21	147.36	134.28	139.75	147.98	136.68	126.65

Latest prices were unavailable for this edition.Belgian market closed July 21.